CAMPOFRIO FOOD GROUP

UNAUDITED SELECTED CONSOLIDATED
FINANCIAL INFORMATION
YEAR ENDED 31st DECEMBER 2009

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INTRODUCTION

In November 2009, CAMPOFRIO FOOD GROUP, S.A. (the "Company"), incorporated as a public limited company (*sociedad anonima*) under the laws of Spain, issued € 500 million aggregate principal amount of its 8.250% Senior Notes due 2016 (the ''Notes'') at a price of 99.365 %. We will pay interest on the Notes semi-annually on each April 30 and October 31, commencing April 30, 2010. Prior to October 31, 2013, we will be entitled, at our option, to redeem all or a portion of the Notes by paying the relevant ''make-whole'' premium. At any time on or after October 31, 2013, we may redeem all or part of the Notes by paying a specified premium to the holders. In addition, prior to October 31, 2013, we may redeem at our option up to 35% of the Notes with the net proceeds from certain equity offerings. If we undergo a change of control or sell certain of our assets, we may be required to make an offer to purchase the Notes. In the event of certain developments affecting taxation, we may redeem all, but not less than all, of the Notes.

The Notes are senior debt of Campofrio Food Group and will rank *pari passu* in right of payment to all of Campofrio Food Group's existing and future senior indebtedness. The Notes are guaranteed on a senior basis by certain of our subsidiaries.

The Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF market.

The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the ''U.S. Securities Act''). The Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the U.S. Securities Act (''Rule 144A'') and to certain persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act (''Regulation S''). You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.

Following the issuance of the Notes, the Company redeemed all of the U.S Private Placement notes, prepaid all of the LBO facilities (multicurrency credit facilities with a limit of €415 million, arranged by Citigroup Global Markets Ltd and Royal Bank of Scotland plc.) and repaid all its short term borrowings under various lines of credit.

This Unaudited Selected Consolidated Financial Information and the Audited Campofrío Food Group, S.A. and subsidiaries Consolidated Financial Statements and Consolidated Management Report for the year ended December 31, 2009 and the audited Campofrío Food Group, S.A. and subsidiaries Consolidated Financial Statements and Consolidated Management Report for the year ended December 31, 2008, are provided to holders of the notes pursuant to Section "Description of the notes - Reports (1)" of the indenture.

CONSOLIDATED INCOME STATEMENT

Campofrio Food Group
(*In Thousands of Euros*)

	Year ended December 31,			
	2009		2008	
	Actual (audited)	% of net sales	**Pro-forma (unaudited)**	% of net sales
Operating revenues				
Net sales and services	1,845,655	100%	1,961,251	100%
Increase in inventories of finished goods and work in progress			4,101	0%
Capitalized expenses on Company's work on assets	285	0%	460	0%
Other operating revenue	11,474	1%	7,593	0%
Total operating revenues	1,857,414	101%	1,973,405	101%
Operating expenses				
Decrease in inventories of finished goods and work in progress	-35,823	-2%		
Consumption of goods and other external charges	-959,652	-52%	-1,095,456	-56%
Employee benefits expense	-351,117	-19%	-361,909	-18%
Depreciation and amortization	-56,877	-3%	-58,563	-3%
Other operating expenses	-372,864	-20%	-374,404	-19%
Changes in trade provisions	-2,173	0%	1,772	0%
Total operating expenses	-1,778,506	-96%	-1,888,559	-96%
Consolidated operating profit (EBIT)	**78,908**	**4%**	**84,846**	**4%**
Financial expenses, net	-59,888	-3%	-39,934	-2%
Other income and expenses	-19	0%	-29,897	-2%
Profit before tax	**19,001**	**1%**	**15,015**	**1%**
Income taxes	-2,293	0%	-23,579	-1%
Profit after tax from continuing operations	**16,708**	**1%**	**-8,564**	**0%**
Profit for the year from discontinued operations	-2,360	0%	-18,589	-1%
Profit for the year	**14,348**	**1%**	**-27,153**	**-1%**
Attributable to minority interest	383	0%	669	
Attributable to equity holders of the parent company	13,965	1%	-27,822	-1%

The accompanying notes are an integral part of this consolidated financial information.

CONSOLIDATED BALANCE SHEET

Campofrio Food Group
(*In Thousands of Euros*)

	Year ended December 31, 2009 (audited)	2008 (audited restated)
ASSETS		
Property, plant and equipment	564,407	579,757
Goodwill	419,565	419,565
Other intangible assets	183,010	181,570
Non-current financial assets	6,111	6,641
Investments accounted for under the equity method	941	16
Deferred tax assets	65,948	59,214
Other non-current assets	127	412
Total non-current assets	**1,240,109**	**1,247,175**
Inventories	275,607	321,507
Trade and other receivables	231,797	247,304
Other current financial assets	1,173	1,157
Other current assets	3,848	3,121
Cash and cash equivalents	160,159	119,801
Total current assets	**672,584**	**692,890**
Assets classified as held for sale and discontinued operations	**1,555**	**0**
TOTAL ASSETS	**1,914,248**	**1,940,065**
EQUITY AND LIABILITES		
Equity attributable to equity holders of the parent	616,017	608,293
Equity attributable to minority interests	10,014	9,965
TOTAL EQUITY	**626,031**	**618,258**
Debentures	482,888	226,806
Interest-bearing loans and borrowings	0	150,583
Other financial liabilities	73,009	70,479
Deferred tax liabilities	126,110	122,311
Other non-current liabilities	21,240	22,133
Provisions	51,312	39,011
Total non-current liabilities	**754,559**	**631,323**
Debentures	6,760	2,658
Interest-bearing loans and borrowings	6,783	79,841
Trade and other payables	449,720	457,310
Other financial liabilities	2,105	4,250
Creditor for income tax	462	5,808
Provisions	9,318	23,899
Other current liabilities	58,510	116,718
Total current liabilities	**533,658**	**690,484**
TOTAL EQUITY AND LIABILITIES	**1,914,248**	**1,940,065**

The accompanying notes are an integral part of this consolidated financial information.

CONSOLIDATED CASH FLOW STATEMENT

Campofrio Food Group
(*In Thousands of Euros*)

	Year ended December 31,	
	2009	**2008**
	Actuals (audited)	**Pro-forma (unaudited)**
Operating flows before changes in working capital	**142,808**	**136,861**
Changes in working capital	38,738	-22,185
Cash flows from operating activities	**181,547**	**114,676**
Net interest expenses	-33,817	-35,835
Provision and pensions payment	-22,921	-13,165
Income tax paid	-8,456	-6,511
Other collection	6,656	1,056
Net cash flows from operating activities	**123,008**	**60,222**
Investments in property, plant and equipment	-46,303	-97,241
Other collections and investments	1,864	37,222
Net cash flows from investing activities	**-44,439**	**-60,019**
Changes in financial liabilities	9,892	-91,770
Dividend cash payments and own share transactions	-48,103	-23,779
Net cash flows from financing activities	**-38,211**	**-115,549**
Net increase/(decrease) in cash and cash equivalents	40,358	-115,346
Cash and cash equivalents at beginning of period	119,801	235,146
Cash and cash equivalents at end of period	**160,159**	**119,801**

The accompanying notes are an integral part of this consolidated financial information.

UNAUDITED SELECTED OPERATING SEGMENT INFORMATION

Campofrio Food Group
(*In Thousands of Euros*)

Net sales and services	**Year ended December 31, 2009**		**Year ended December 31, 2008**	
	Actuals (audited)	% of total	**Pro-forma (unaudited)**	% of total
Southern Europe [1]	852,889	46%	896,879	46%
Northern Europe [2]	986,193	54%	1,041,459	54%
Others [3]	23,996	1%	28,046	1%
Eliminations [4]	-17,423	-1%	-5,133	0%
Total net sales and services	**1,845,655**	100%	**1,961,251**	101%

EBITDA	**Year ended December 31, 2009**		**Year ended December 31, 2008**	
	Actuals (unaudited)	% of total	**Pro-forma (unaudited)**	% of total
Southern Europe [1]	87,374	64%	86,731	60%
Northern Europe [2]	70,603	52%	65,316	46%
Others [5]	-22,192	-16%	-8,637	-6%
Total EBITDA	**135,785**	100%	**143,409**	100%
% EBITDA margin over Net Sales				
Southern Europe	10.3%		9.7%	
Northern Europe	7.2%		6.4%	
Others	n.a.		n.a.	
Total EBITDA	**7.4%**		**7.4%**	

EBITDA (adjusted)	**Year ended December 31, 2009**		**Year ended December 31, 2008**	
	Actuals (unaudited)	% of total	**Pro-forma (unaudited)**	% of total
Southern Europe [1]	93,231	65%	86,731	62%
Northern Europe [2]	73,094	51%	62,282	44%
Others [5]	-22,193	-15%	-8,637	-6%
Total EBITDA	**144,132**	100%	**140,375**	100%
% EBITDA adjusted margin over Net Sales				
Southern Europe	10.9%		9.7%	
Northern Europe	7.4%		6.0%	
Others	n.a.		n.a.	
Total EBITDA	**7.8%**		**7.2%**	

The accompanying notes are an integral part of this consolidated financial information.

[1] Southern Europe includes operating activities managed in Spain and Portugal, which includes our fresh meat operations.

[2] Northern Europe includes the operating activities managed primarily in France, the Netherlands, Belgium and Germany.

[3] Includes the operating activities managed primarily in Romania.

[4] Intercompany sales, which are eliminated on consolidation

[5] Includes the operating activities managed in Romania and the headquarter expenses

OTHER UNAUDITED SELECTED CONSOLIDATED FINANCIAL INFORMATION

Campofrio Food Group
(*In Thousands of Euros*)

Conciliation of Net Income to EBITDA adjusted	**Year ended December 31,**	
	2009	**2008**
	Actuals (unaudited)	**Pro-forma (unaudited)**
Net income Attributable to equity holders of the parent company	13,965	-27,822
Net income Attributable to minority interest	383	669
Profit for the year from discontinued operations	2,360	18,589
Income taxes	2,293	23,579
Other income and expenses	19	29,897
Financial expenses, net	59,888	39,934
Depreciation and amortization	56,877	58,563
EBITDA	**135,785**	**143,409**
French Traditional Business		-3,034
Severance	8,347	
Total Adjustments	8,347	-3,034
EBITDA adjusted	**144,132**	**140,375**

The accompanying notes are an integral part of this consolidated financial information.

EXPLANATORY NOTES TO THE UNAUDITED SELECTED CONSOLIDATED FINANCIAL INFORMATION

Corporate Information

Campofrío Food Group, S.A. (the Parent Company), with registered office at Avda. de Europa, Parque Empresarial la Moraleja in Alcobendas (Madrid), was incorporated as a private limited company in Spain on September 1, 1944, under the registered name Conservera Campofrío, S.A. On June 26, 1996, the Company's name was changed to Campofrío Alimentación, S.A. and on December 30, 2008, it was changed to its current name, Campofrío Food Group, S.A.

Campofrío Food Group, S.A. is the parent of a Group of companies consolidated under the full and equity consolidation methods.

The Parent Company manufactures and sells products mainly for human consumption. The principal activities of the Parent Company and the Group companies are to manufacture, sell and distribute processed and canned meat and derivatives from pork and beef by-products and other food products.

The Group operates throughout Spain with factories in Burgos, Villaverde (Madrid), Torrijos (Toledo), Ólvega (Soria), Torrente (Valencia) and Trujillo (Cáceres), and through its subsidiaries in Romania and Portugal. In addition, as of December 30, 2008, the Group operates through its subsidiaries in Belgium, France, Germany, Italy, Portugal and the Netherlands. Through a takeover merger on December 30, 2008, the Parent Company took control of the Spanish holding entity Groupe Smithfield Holdings, S.L., and all of the assets and liabilities were transferred to the Parent Company. As a result of this merger, the Parent Company acquired Campofrío Food Group Holding, S.L. (formerly Groupe Smithfield, S.L.).

Groupe Smithfield Holdings, S.L. is a Spanish holding entity and the parent company of an international food group, engaged in the production and sale of meat products primarily in Belgium, France, Germany, Italy, Portugal and the Netherlands, where it also has industrial facilities. The merger was in response to and based on strategic business criteria, which allowed the Parent Company, as the acquired company, to establish itself as the parent of a pan-European group and a leading manufacturer of processed meats, with a strong presence in Spain, Belgium, France, Portugal, Holland and Romania.

On October 24, 2008, the shareholders of both companies approved the takeover merger. The Parent Company took control of the absorbed company on December 30, 2008, and obtained the power to determine the financial and operating policies governing the acquired business and the related economic benefits from its activities.

As a result of the merger, the Parent Company acquired Groupe Smithfield Holdings, S.L., which was dissolved without liquidation and all its assets and liabilities transferred to the Parent Company. For these purposes, the balance sheet date of the absorbed company was considered to be December 31, 2008, given the negligible difference between that date and the date the business was acquired.

Basis of preparation

The amounts of the consolidated income, balance sheet and cash flow statement, were prepared in accordance with International Financial Reporting Standards, adopted by the European Union (EU-IFRS), in conformity with EU Regulation no. 1606/2002 of the European Parliament and Council. The rest of information and disclosures that are necessary in financial statements elaborated under EU-IFRS are not included since they are not applicable for the purpose of this document.

The selected consolidated pro-forma financial information income statement and cash flow statement for the period ended December 31, 2008 was prepared as if the acquisition of Groupe Smithfield Holdings, S.L. by Campofrío Food Group, S.A. had taken place on January 1, 2008, so as to provide a comparable financial information in the Income Statement, Cash Flow Statement and Other Selected Financial Information.

The consolidated balance sheet statement as of December 31, 2008 included in this document has been restated to the one included in our Consolidated Financial Statements of December 31, 2008 in order to reflect the definitive recognition of the assets and liabilities from the acquired business at fair value.

In any case, this selected financial information here presented and the explanatory notes should be read in conjunction with the Campofrío Food Group, S.A. and subsidiaries Consolidated Financial Statements and Consolidated Management Report for the year ended December 31, 2009 and with the Campofrío Food Group, S.A. and subsidiaries Consolidated Financial Statements and Consolidated Management Report for the year ended December 31, 2008, documents both presented in annex.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council.

The discussion and analysis of our historical results of operations and financial condition are based on our consolidated financial statements, which have been prepared in accordance with IFRS-EU. The preparation of our consolidated financial statements requires us to apply accounting methods and policies that are based on difficult or subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based.

Detailed information regarding our accounting policies is provided in Note 2 to our consolidated financial statements for the year ended December 31, 2009.

Non-IFRS-EU Financial Measures

This selected financial information could contain non-IFRS-EU measures and ratios, including EBITDA, adjusted EBITDA, net debt and leverage and coverage ratios that are not required by, or presented in accordance with, IFRS-EU. We present non-IFRS-EU measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS-EU measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS-EU. Non-IFRS-EU measures and ratios such as EBITDA, adjusted EBITDA, net debt and leverage and coverage ratios are not measurements of our performance or liquidity under IFRS-EU and should not be considered as alternatives to operating profit or profit for the year or any other performance measures derived in accordance with IFRS-EU or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

Operating Segment Reporting

We report our results in accordance with the following strategic reporting segments:

- Southern Europe: includes the operating activities managed in Spain & Portugal
- Northern Europe: includes the operating activities managed primarily in France, the Netherlands, Belgium & Germany.
- Others: includes operating activities managed primarily in Romania (with regards to EBITDA this line includes also the Group Headquarters)

Note: Elimination on our Net Sales and Services segment reporting refer to the elimination of inter-segment sales (i.e.: sales between Southern and Northern Europe) eliminated at consolidated level. Segment information is presented net of intra-segment sales (i.e.: sales between Spain and Portugal)

Discontinued Operations

In 2008 we concluded the sale of our Russian subsidiary CampoMos. Results from Russian operations included in the income statement were a loss of €18.6 million. As of December 2009, related to the same operations, we had a loss of €2.4 million due to an increase in litigation accruals.

Net Financial Debt, Liquidity and Capital Resources

The following charts set our debt position as of December 31st, 2009 and December 31st, 2008.

NET FINANCIAL DEBT	Year ended December 31,	
	2009	2008
Non-current financial debt		
Debentures	482,888	226,806
Interest-bearing loans and borrowings	0	150,583
Other financial liabilities	73,009	70,479
Current financial debt		
Debentures	6,760	2,658
Interest-bearing loans and borrowings	6,783	79,841
Other financial liabilities	2,105	4,250
Current financial assets		
Other current financial assets	-1,173	-1,157
Cash and cash equivalents	-160,159	-119,801
Total Net Financial Debt	**410,213**	**413,659**

The company's debt structure has significantly changed during the last quarter of 2009 with the completion of the issue of the Notes, whose proceeds were mainly used to repay both the USPP Notes and the LBO Facilities.

The resulting debt structure is primarily comprised of the Notes which account for €482.9 million. Other financial liabilities include €70.4 million in derivatives classified as held for trading. (See "Description of certain Financing Arrangements" in the Notes Offering Memorandum (OM))

Our net financial debt of €410.2 million as of December 32, 2009 is €3.5 million lower than at the end of December 2008. The combined actions of reducing Capital Expenditures and Working capital have enabled us to fund significant extraordinary payments during 2009, amongst which a €47 million merger-related dividend and €30 million in refinancing costs. (See "Use of Proceeds" and "Capitalization" in the Notes OM).

We have a very solid liquidity position. As of December 31, 2009 we had a liquidity position amounting to €377 million, made up of €160 million in cash and cash equivalents and €217 million in undrawn bank lines (€162 million in bilateral facilities and €55 million under the Revolving Credit Facility).

The following tables set forth the situation of our two main financing sources as of December 31, 2009 and pro-forma December 31, 2008.

Debentures	Year ended Dec 31,	
	2009	2008
Non-current debentures	482,888	226,806
Current debentures	6,760	2,658
Principal	0	0
Accrued interest	6,760	2,658
Total debentures	**489,648**	**229,464**

Interest-bearing loans and borrowings	Year ended Dec 31,	
	2009	2008
Bank loans and credit facilities	4,771	226,511
Credit lines	4,771	8,351
Multicurrency credit line	0	218,160
Discounted bills payable	1,431	2,804
Interest payable	581	1,109
Total	**6,783**	**230,424**

The following tables set forth the situation of our current and non-current other financial liabilities as of December 31, 2009 and pro-forma December 31, 2008.

Other financial liabilities	Year ended December 31, 2009			Year ended December 31, 2008		
	Non-current	Current	Total	Non-current	Current	Total
Financial leases	1,763	516	2,279	1,210	1,236	2,446
Other financial liabilities	2,363	0	2,363	1,957	3,014	4,971
Derivatives	68,883	1,589	70,472	67,312	0	67,312
Total	**73,009**	**2,105**	**75,114**	**70,479**	**4,250**	**74,729**

The following tables set forth the situation of our financial derivatives as of December 31, 2009 and pro-forma December 31, 2008.

Fair value situation	FV at Dec-09	FV at Dec-08	Notional	2010	2013	2015	2,015
Cash flow hedge	-46	-38,809	4,454	4,454	0	0	0
Fair value hedge	0	-18,527	0	0	0	0	0
Derivatives held for trading							
Swaps	-68,587	-10,177	642,980	169,124	436,990	36,866	0
Reverse swaps	-1,839	201	257,906	0	244,379	13,527	0
Total	**-70,472**	**-67,312**					

Following the repayment of the underlying indebtedness (USPP Notes and the LBO Facilities) from the Notes issue the related outstanding derivatives, previously used to hedge our currency and rate exposures, have been reclassified for accounting purposes as held for trading. In order to minimize the mark-to-market volatility in our financial statements and lock in our related payment obligations, we have contracted reverse swaps obligations for €54 million pertaining to our cross-currency interest rate derivatives. We have €17 million in interest rate derivatives which are subject to mark-to-market volatility. We have performed sensitivity analyses on our derivative position indicating limited impact from changes in mark-to-market valuations.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are the largest European producer of processed meat products based on net sales. Our products, which are sold under well established and leading brands, cover a broad range of processed meat categories, including cooked ham, dry sausages, dry ham, hot dogs, poultry products, cold cuts and pâtés. We were founded in 1944 in Burgos, Spain and have expanded to achieve a direct presence in eight European countries, Spain, France, Portugal, The Netherlands, Belgium, Italy, Romania and Germany, and sales in over 80 countries worldwide through independent distributors. Our market leading brands include *Campofrío* and *Navidul* in Spain, *Aoste, Justin Bridou* and *Cochonou* in France, *Nobre* in Portugal and *Marcassou* in Belgium. For the year ended December 31, 2009, we had operating revenues and adjusted EBITDA of €1,857.4 million and €144.1 million, respectively. We generate substantially all of our revenues in Europe. We are headquartered in Madrid, Spain and our shares have been listed on the Madrid stock exchange since 1988 and on the Barcelona stock exchange since 1990, and now trade under the symbol ‘‘CFG.’’ As of March 15, 2009, we had a market capitalization of €695 million.

We are primarily engaged in the production and sale of processed meat products with a focus on cooked ham, dry sausages, dry ham, hot dogs and poultry products. We source meat primarily from third party suppliers which we monitor on a regular basis to ensure that high-quality and hygienic standards are maintained. The meat is then processed in one, or a combination, of our 30 facilities and the final products are sold directly to our customers, which include some of the largest retailers in Europe, including Carrefour, Ahold, Auchan, Delhaize, Casino and Lidl, as well as directly or through wholesalers to a large number of food service specialists and traditional retail outlets. As a result of our strong relationships with our retail and food specialist customers, we have also developed a strong private label or retailer brand business.

Factors Affecting Our Results of Operations

Raw Material Prices

Pig carcass average price	**Twelve Month ended December 31st**			**% Increase (decrease) over prior period**	
	2007	**2008**	**2009**	**% Increase (decrease) 2008 vs 2007**	**% Increase (decrease) 2009 vs 2008**
		(price in €/kg)			
Spain Mercolleida	1.34	1.47	1.41	9.6%	-4.0%
France MPB	1.12	1.27	1.15	13.1%	-9.4%
Netherlands Monfoort	1.28	1.49	1.36	16.4%	-8.9%
Belgium Danis	1.25	1.42	1.29	13.6%	-9.2%
Germany AIM	1.36	1.57	1.42	15.7%	-9.5%
Denmark DC	1.14	1.28	1.21	12.0%	-5.6%

In 2009 carcass and pork prices were caught in the deflationary winds that affected all commodities, following the financial and economic crisis. The bullish supply fundamentals (lower pig populations and pork slaughter: -2.5% to 22.0 million tons) were more than offset by weak consumption in the domestic EU27 market and more significantly exports toward third countries (-7.2% to 2.38 million tons). Hams and loins prices were severely affected as consumers shifted their purchases to less expensive pork cuts such as shoulder and belly.

In 2009, poultry prices decreased between -11% for chicken to -16% for turkey meat. The poultry industry started the year with significant overproduction due to the global economic crisis, and offered very low prices during the first quarter. As poultry producers rapidly adapted their output to the shrinking consumer demand and export markets, prices progressively but steadily increased throughout the year.

Our raw material cost is only indirectly impacted by the above mentioned trends. We purchase a basket of meat elements which usually follow different supply and demand dynamics. Moreover, the cost of goods sold of our long-cycle products (cured products) reflects evolutions in raw material prices with a lag time which can vary between 6 and 24 months.

Results of Operations

Comparison of the Year Ended December 31, 2009 and the pro-forma Year Ended December 31, 2008

Operating Revenues

The following table sets forth a detailed breakdown of our operating revenues for the year ended December 31, 2008 and December 31, 2009.

Operating revenues	**Year ended December 31,**			
	2009		**2008**	
	Actuals (audited)	% of total oper. revenues	**Pro-forma (unaudited)**	% of total oper. revenues
Net sales and services	1,845,655	99%	1,961,251	99%
% increase in Net Sales and Services	*-6%*			
Increase in inventories of finished goods and work in progress	0	0%	4,101	0%
Capitalized expenses on Company's work on assets	285	0%	460	0%
Other operating revenue	11,474	1%	7,593	0%
Total operating revenues	**1,857,414**	**100%**	**1,973,405**	**100%**
% increase in total operating revenues	*-6%*			

Operating revenues decreased by 6% to €1,857.4 million for the year ended December 31, 2009 from €1,973.4 million for the pro-forma operations for the year ended December 31, 2008 due primarily to a decrease in net sales. Net sales decreased by 6%, to €1,845.7 million for the year ended December 31, 2009 from €1,961.3 million for the year ended December 31, 2008. The decreased by €115.6 million was driven by a 2% decrease in like-for-like volume (excluding the impact of French Traditional Business sold in April 2008) and a 1.1% decrease in average selling price net of indexation and business mix (indexation accounted for 0.6% of the decline in net sales).

Operating Expenses

The following table sets forth a detailed breakdown of our operating expenses for the pro-forma operations for the year ended December 31, 2008 and December 31, 2009.

Operating expenses	**Year ended December 31,**			
	2009		**2008**	
	Actuals (audited)	% of total oper. revenues	**Pro-forma (unaudited)**	% of total oper. revenues
Decrease in inventories of finished goods and work in progress	-35,823	-2%	0	0%
Consumption of goods and other external charges	-959,652	-52%	-1,095,456	-56%
Employee benefits expense	-351,117	-19%	-361,909	-18%
Depreciation and amortization	-56,877	-3%	-58,563	-3%
Other operating expenses	-372,864	-20%	-374,404	-19%
Changes in trade provisions	-2,173	0%	1,772	0%
Total operating expenses	**-1,778,506**	**-96.4%**	**-1,888,559**	**-96.3%**

Operating expenses for the pro-forma operations decreased by 6% to €1,778.5 million for the year ended December 31, 2009 from €1,888.6 million for the year ended December 31, 2008. Operating expenses constituted 96.4% and 96.3% as a percentage of total operating revenues for year ended December 31, 2009 and December 31, 2008, respectively. The decrease in operating expenses was primarily attributable to a 9% decrease in consumption of goods, offset by a decrease in inventories of finished goods and work in progress for the year ended December 31, 2009. The decrease in consumption of goods and other external charges is derived from the disposal of the French Traditional Business, the decrease in sales volumes, as well as the realization of sourcing synergies following the Merger with Groupe Smithfield. In the first year following the merger, we achieved €25 million of synergies, €5 million above our 2009 plan. Employee benefits expenses decreased by 3% due to the disposal of the French Traditional Business together with a reduction in headcount stemming from restructuring programs in France, Spain and the Netherlands, which were partially offset by restructuring costs incurred in 2009.

Consumption of Goods and Other External Charges

Consumption of goods and other external charges for the pro-forma operations decreased by 9% to €959.7 million for the year ended December 31, 2009 from €1,095.5 million for the year ended December 31, 2008. Consumption of goods and other external charges constituted 52% and 56% as a percentage of total revenue for the year ended December 31, 2009 and December 31, 2008, respectively. The decrease in consumption of goods and other external charges was attributable to a reduction is sales volume, to the disposal of the French Traditional Business. During the year ended December 31, 2009 our Consumption of Good and Other External Charges was impacted by the realization of raw material sourcing synergies resulting from volume purchasing and sourcing rationalization across all of our business segments. Although the price of hogs were lower during 2009 as compared to 2008, due to our long cycle products and the variations in the cost of different cuts, our meat costs were relatively stable the year under comparison, with a 1.7% decline net of indexation of 1%.

Employee Benefits Expenses

Employee benefits expenses for the pro-forma operations decreased by 3% to €351.1 million for the year ended December 31, 2009 from €361.9 million for the year ended December 31, 2008. Employee benefits expenses constituted 19% and 18% as a percentage of total revenue for the year ended December 31, 2009 and December 31, 2008, respectively. The decrease on an absolute basis was partially related to the sale of our French Traditional Business in April 2008 which accounted for €5.4 million of employee benefits expenses in the pro-forma Income Statement. Lower wages and salaries were partially offset by an increase in dismissal indemnities expenses relating to the restructuring projects in Spain and France. Excluding dismissal indemnities, employee benefits expenses constituted 18% as a percentage of total revenue for both year ended December 30, 2009 and December 30, 2008. Average headcount was reduced by 14% from 6,058 to 5,187 FTEs (full time equivalents).

Depreciation and Amortization

Depreciation and amortization for the pro-forma operations decreased by 3% to €56.9 million for the year ended December 31, 2009 from €58.6 million for the year ended December 31, 2008. Depreciation and amortization constituted 3% as a percentage of total revenue for each of the year ended December 31, 2009 and December 31, 2008.

Other Operating Expenses

Other operating expenses for the pro-forma operations decreased by 0.4% to €372.9 million for the year ended December 31, 2009 from €374.4 million for the year ended December 31, 2008. Other operating expenses constituted 20% and 19% as a percentage of total revenue for each of the year ended December 31, 2009 and December 31, 2008, respectively. The slight decrease in other operating expenses on an absolute basis was primarily attributable to the disposal of our French Traditional Business in April 2008 which accounted for €7.4 million of Other Operating Expenses pro-forma Income Statement for the year ended December 30, 2008. Excluding the impact of the French Traditional Business, other operating expenses increased by €6 million primarily driven by external services.

Finance Revenue and Finance Costs

Net finance cost increased by €20 million in 2009 from €39 million to €59 million, primarily driven by the refinancing of our USPP Notes and LBO facilities, for which we incurred a cost of €18 million. In 2009, we did not benefit from the decline in variable interest rates as most of our USPP Notes and LBO facilities debt had been hedged to fixed rates.

Other Income and Expenses

Other income and expenses were €0.02 million expenses for the year ended December 31, 2009 corresponding to result of investments consolidated via the equity method and was a €29.9 million expense in the pro-forma year ended December 31, 2008. The main components are expenses related to St. Etienne plant closure, restructuring provision in the Netherlands, the impairment on fixed assets in Portugal offset by gain the on sales from the disposals of our French Traditional Business.

Income Tax

Income tax expenses amounted €2.3 million for the year ended December 31, 2009 compared to €23.6 million for the year ended December 31, 2008. For the year ended December 31, 2009 the effective tax rate was 12% mainly due to the merger of our Portuguese divisions which had a positive €8 million impact. For the year ended December 31, 2008 the income tax expense was primarily impacted by the write-offs of non-operating losses carry forwards in France and Portugal of €11.5 million €1.9 million respectively, the non-capitalization of non-operating losses in France of €12.6 million and tax litigation allowances in Spain and Portugal for €4.3 million and €1.5 million respectively, impacts partially offset by a favorable tax treatment on the gain on the sale of the French Traditional Business for €9.2 million.

Result from Discontinued Operations

Profit for the year from discontinued operations amounted to a loss of €2.4 million for the year ended December 30, 2009 compared to a loss of €18.6 million for the year ended 2008. Both impacts are related to the sale of our Russian subsidiary CampoMos.

Profit (Loss) for the Year

Profit for the year ended December 31, 2009 profit for the year amounted to €14.0 million compared to a loss of €27.8 million for the year ended December 31, 2008.

Operating Segment Reporting

Net sales and services	**Year ended December 31, 2009**		**Year ended December 31, 2008**	
	Actuals (audited)	% of total	**Pro-forma (unaudited)**	% of total
Southern Europe [1]	852,889	46%	896,879	46%
Northern Europe [2]	986,193	54%	1,041,459	54%
Others [3]	23,996	1%	28,046	1%
Eliminations [4]	-17,423	-1%	-5,133	0%
Total net sales and services	**1,845,655**	100%	**1,961,251**	101%

EBITDA	**Year ended December 31, 2009**		**Year ended December 31, 2008**	
	Actuals (unaudited)	% of total	**Pro-forma (unaudited)**	% of total
Southern Europe [1]	87,374	64%	86,731	60%
Northern Europe [2]	70,603	52%	65,316	46%
Others [5]	-22,192	-16%	-8,637	-6%
Total EBITDA	**135,785**	100%	**143,409**	100%
% EBITDA margin over Net Sales				
Southern Europe	10.3%		9.7%	
Northern Europe	7.2%		6.4%	
Others	n.a.		n.a.	
Total EBITDA	**7.4%**		**7.4%**	

EBITDA (adjusted)	Year ended December 31, 2009		Year ended December 31, 2008	
	Actuals (unaudited)	% of total	Pro-forma (unaudited)	% of total
Southern Europe [1]	93,231	65%	86,731	62%
Northern Europe [2]	73,094	51%	62,282	44%
Others [5]	-22,193	-15%	-8,637	-6%
Total EBITDA	**144,132**	100%	**140,375**	100%
% EBITDA adjusted margin over Net Sales				
Southern Europe	10.9%		9.7%	
Northern Europe	7.4%		6.0%	
Others	n.a.		n.a.	
Total EBITDA	**7.8%**		**7.2%**	

[1] Southern Europe includes operating activities managed in Spain and Portugal, which includes our fresh meat operations.

[2] Northern Europe includes the operating activities managed primarily in France, the Netherlands, Belgium and Germany.

[3] Includes the operating activities managed primarily in Romania.

[4] Intercompany sales, which are eliminated on consolidation

[5] Includes the operating activities managed in Romania and the headquarter expenses

Southern Europe

Net sales in the Southern Europe segment for the pro-forma operations decreased by 4.9% to €852.9 million for the year ended December 31, 2009 from €896.9 million for the year ended December 31, 2008. The decrease comes mainly from Spain processed meat business where Net sales decreased by 9.5%, primarily attributable to the shift to private label of a key Spanish retailer and to lower overall demand for branded products by customers and consumers. Volumes in Southern Europe were relatively stable (+0.2%) as we recorded solid growth in our Fresh Meat operations and Portugal which offset a 6.8% volume decline in Processed Meat in Spain. Average prices were down 5.1% of which 2.8% was related to the mix between businesses and 2.3% to lower pricing.

Despite the flat volume, the EBITDA in Southern Europe remained stable to €87.4 million for the year ended December 31, 2009 from €86.7 million for the year ended December 31, 2008, due to major cost reduction and synergy programs. Restructuring costs of €5.8 million taken in Spain in 2009 were offset by the reallocation of some costs to the Headquarter.

Northern Europe

Net sales in the Northern Europe segment for the pro-forma operations decreased by 5.3% to €986.2 million for the year ended December 31, 2009 from €1,041.5 million for the year ended December 31, 2008. The sale in April 2008 of the French Traditional Business accounted for €22.3 million of net sales for the year ended December 31, 2008. Excluding the effect of the sale of the French Traditional Business, net sales decreased by 3.3%, driven by volume which was down 3.7% for the year ended December 31, 2009 as compared to the year ended December 31, 2008.

The EBITDA in Northern Europe increased to €70.6 million for the year ended December 31, 2009 from €65.3 million for the year ended December 31, 2008. If we exclude the impact of French Traditional Business sale for €3 million as well as restructuring costs of €2.5 million, the EBITDA increased by 17% to €73 million for the year ended December 31, 2009 from €62.3 million for the year ended December 31, 2008 as the volume decline was offset by extensive cost reduction and synergy programs and the early benefits from plant closures in France and the Netherlands.

Others

Net sales in the Others business segment for the pro-forma operations decreased to €23.9 million for the year ended December 31, 2009 from €28 million for the year ended December 31, 2008.

The decrease was primarily driven by the slowdown of the Romanian economy during 2009 and the exchange rate devaluation of the Romanian Lei by up to 15%.

The EBITDA for Others decreased overall to €(22.1) million for the year ended December 31, 2009 from € (8.6) million for the year ended December 31, 2008 primarily due to the transfer of costs from Spain top the Headquarters.

Cash Flow

Cash Flows from Operating Activities

For year ended December 31, 2009, our cash flow from operating activities amounted €123.0 million compared to €60.2 million for the pro-forma operations for the year ended December 31, 2008. This €62.8 million improvement was primarily attributable to a better performance in adjusted EBITDA and in changes in working capital and to a minor extent to higher other operating collections related to investment grants received, movements partially offset by higher payments related to restructuring plans and the merger and higher income tax paid. The improvement in changes in working capital is explained by the implementation of a working capital reduction program focused initially on inventories, which declined by €45.9 million in 2009.

Cash Used in Investing Activities

For year ended December 31, 2009 our cash flow from investing activities amounted to a negative €44.4 million, compared to a negative €60.0 million for the year ended December 31, 2008. We curtailed Capital Expenditures by €50.9 million from €97.2 million in 2008 to €46.3 million in 2009. The reduction in Capital Expenditures reflects the completion of major investments in 2008, such as the fresh meat slicing plant in Spain, and the return to a steady-state investment level in 2009. In other collection and investments captions, is reflected for the year ended in December 31, 2008 the sales of our French Traditional Business, the net proceeds of the sales our Russian subsidiary CampoMos offset by the purchase of minority interest.

Cash Flow from Financing Activities

For year ended December 31, 2009, our cash flow from financing activities amounted to a negative €38.2 million compared to a negative €115.5 million for the year ended December 31, 2008. The cash flow from financing activities for the year ended December 31, 2009 includes the uses and proceeds related to refinancing (including related payments amounting €30 million) and the €47.1 million extraordinary dividend. The cash flow from financing activities for year ended December 31, 2008 reflects the €75 million early repayment of part of the LBO facilities together with a €12 million regular cash dividend payment and €11.5 million purchase of own shares that were dividended in kind to the shareholders.

RECENT DEVELOPMENT

Operating Performance for the quarter ended March 2010

On March 4 2010, we had entered on a joint venture agreement with Caroli Group to integrate our operations and other territories. Campofrio Food Group will hold 49% of the resulting group in exchange of the contribution of out shares in Campofrio Tabco and a cash payment of €12.3 million subject to final price adjustment. The transaction is subject to due diligence, antitrust approval and condition precedent in line with normal practices in this type of transactions.

The early results for the first quarter of 2010 indicate an improvement in volume trends and a continuation of the expansion in EBITDA margins.

ANNEXE A – EXPLANATION OF INCOME STATEMENT ITEMS

Operating Revenues

Operating revenues consist of net sales and services, increases in inventories of finished goods and work in progress, capitalized expenses of company work on assets and other operating revenues.

Net Sales and Services

Our net sales and services consists primarily of the sales of dry, cooked and other meats products, after deduction of rebates and off invoice discounts.

Increase in Inventories of Finished Goods and Work in Progress

Increase in inventories of finished goods and work in progress includes the positive variation between the closing and opening value of finished products and work in progress.

Capitalized Expenses of Company Work on Assets

Capitalized expenses of Company work on assets includes personnel costs for staff engaged in facility development and construction and personnel expenses in connection with tangible and intangible assets. Capitalized staff costs are added to the carrying amount for the related asset in property, plant and equipment and amortized over their useful life.

Other Operating Revenues

Other operating revenues include other income not related to our core activities, such as capital grants release and operating grants.

Operating Expenses

Operating expenses consist of decrease in inventories of finished goods and work in progress, consumption of goods and other external charges, employee benefits expense, depreciation and amortization, changes in trade provisions and other operating expenses.

Decrease in Inventories of Finished Goods and Work in Progress

Decrease in inventories of finished goods and work in progress includes the negative variation between the closing and opening value of finished products and work in progress.

Consumption of Goods and Other External Charges

Consumption of goods and other external charges includes primary purchases of raw material, mainly meats, and other product components such as packaging, spices and other auxiliary materials. This item also includes the stock variation of such materials.

Employee Benefits Expense

Employee benefits expense includes wages and salaries, dismissal indemnities, social security costs and other employee benefits such as health and life insurance.

Depreciation and Amortization

Depreciation and amortization includes property, plant and equipment depreciation charges, amortization of other intangible assets with definitive useful life, such as operating software. Costs of property, plant and equipment in use are depreciated on a straight-line basis at annual rates based on the estimated useful life of the assets.

Changes in Trade Provisions

Changes in trade provisions include mainly changes in trade allowances and reversal from doubtful debtors. Also accounted for in this line item generally, are specific, non-recurring items that are not related to our ordinary business activities.

Other Operating Expenses

Other operating expenses include all other operating expenses, including services expenses, transport cost, utilities, energies, advertising, marketing and general expenses.

EBIT

EBIT is equal to operating revenues less operating expenses.

Net Finance Cost

Net finance cost includes finance revenue and finance costs. Finance revenue consists of income on loans and other marketable securities, other interest and similar income, exchange rate gains and changes in fair value of financial instruments. Finance cost consists of interest bearing loans and borrowings, other finance costs and exchange losses.

Income on Loans and other Marketable Securities

Income on loans and other marketable securities consists principally of interest from deposits.

Exchange Rate Gains and Losses

This item includes gains and losses from the variation on financial liabilities denominated in US dollars, which is partially offset by the existing cash flow hedge accounting, and also includes, to a lesser extent gains and losses from the trading generated by accounts payable and receivables denominated in currencies other than euro.

Change in Fair Value of Financial Instruments

Change in fair value of financial instruments includes gains and losses from the variation in the fair value of financial instruments that do not qualify for cash flow hedge accounting.

Impairment of Assets

Impairment of assets includes losses recognized when the recoverable amount of non current-assets is lower than their carrying value. The recoverable value is defined as the higher of the net fair market value or the value in use of each non-current asset.

Share of Profit (Losses) of Investments Accounted for Using the Equity Method

Results of companies accounted for using the equity method include investments in associates over which we exercise significant influence but which are neither subsidiaries nor jointly controlled entities. Investments are measured initially at acquisition cost, subsequently adjusted for changes to each company’s equity, taking into consideration the percentage of ownership and any impairment.

Income Taxes

Income taxes consist of current tax payable on the taxable profit for the year and deferred tax. The corporate tax rate in Spain was 35% in 2006, 32.5% in 2007 and 30% in 2008.

Profit (loss) from Discontinued Operations

Profit (loss) from discontinued operations represents profit or loss for the year attributable to discontinued operations.

ANNEXE B – FORTH QUARTER SELECTED FINANCIAL INFORMATION

UNAUDITED CONSOLIDATED INCOME STATEMENT FOR THREE MONTH PERIOD ENDED DECEMBER 31, 2009 AND DECEMBER 31, 2008.

Campofrio Food Group
(*In Thousands of Euros*)

	Three month period ended December 31,			
	2009		**2008**	
	Actual (unaudited)	% of net sales	**Pro-forma (unaudited)**	% of net sales
Operating revenues				
Net sales and services	492,620	100%	521,154	100%
Increase in inventories of finished goods and work in progress	1,719	0%	-43,083	-8%
Capitalized expenses on Company's work on assets	48	0%	-14	0%
Other operating revenue	5,889	1%	2,859	1%
Total operating revenues	500,275	102%	480,915	92%
Operating expenses				
Decrease in inventories of finished goods and work in progress	-35,823	-7%		
Consumption of goods and other external charges	-238,186	-48%	-259,214	-50%
Employee benefits expense	-93,526	-19%	-91,424	-18%
Depreciation and amortization	-14,197	-3%	-16,181	-3%
Other operating expenses	-93,885	-19%	-93,017	-18%
Changes in trade provisions	-272	0%	-1,145	0%
Total operating expenses	-475,890	-97%	-460,981	-88%
Consolidated operating profit (EBIT)	**24,385**	**5%**	**19,934**	**4%**
Financial expenses, net	-31,433	-6%	-13,177	-3%
Other income and expenses	-7	0%	-22,690	-4%
Profit before tax	**-7,054**	**-1%**	**-15,932**	**-3%**
Income taxes	6,145	1%	-18,460	-4%
Profit after tax from continuing operations	**-909**	**0%**	**-34,392**	**-7%**
Profit for the year from discontinued operations	-2,360	0%	2,356	0%
Profit for the year	**-3,269**	**-1%**	**-32,036**	**-6%**
Attributable to minority interest	82	0%	175	0%
Attributable to equity holders of the parent company	-3,351	-1%	-32,211	-6%

UNAUDITED CONSOLIDATED CASH FLOW STATMENT FOR THREE MONTH PERIOD ENDED DECEMBER 31, 2009 AND DECEMBER 31, 2008.

Campofrio Food Group
(*In Thousands of Euros*)

	Three months period ended December 31,	
	Q4, 2009	**Q4, 2008**
	Actuals (unaudited)	**Pro-forma (unaudited)**
Operating flows before changes in working capital	**44,294**	**46,725**
Changes in working capital	68,145	44,444
Cash flows from operating activities	**112,438**	**91,169**
Net interest expenses	-3,092	-9,972
Provision and pensions payment	-7,009	-6,159
Income tax paid	-2,302	-490
Other collection	6	32
Net cash flows from operating activities	**100,041**	**74,580**
Investments in property, plant and equipment	-17,896	-27,218
Other collections and investments	4,199	9,715
Net cash flows from investing activities	**-13,697**	**-17,503**
Changes in financial liabilities	-3,217	-66,390
Dividend cash payments and own share transactions	-429	-2,594
Net cash flows from financing activities	**-23,403**	**-68,984**
Net increase/(decrease) in cash and cash equivalents	62,941	-11,908
Cash and cash equivalents at beginning of period	97,218	131,708
Cash and cash equivalents at end of period	**160,159**	**119,801**

UNAUDITED SELECTED OPERATING SEGMENT INFORMATION FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2009 AND DECEMBER 31, 2008.

Campofrio Food Group
(*In Thousands of Euros*)

Net sales and services	**Q4, 2009**		**Q4, 2008**	
	Actuals	% of total	**Pro-forma**	% of total
Southern Europe [1]	234,229	48%	246,017	47%
Northern Europe [2]	260,268	53%	269,909	52%
Others [3]	5,340	1%	7,062	1%
Eliminations [4]	-7,218	-1%	-1,835	0%
Total net sales and services	**492,620**	100%	**521,154**	100%

EBITDA	**Q4, 2009**		**Q4, 2008**	
	Actuals	% of total	**Pro-forma**	% of total
Southern Europe [1]	26,228	68%	25,154	70%
Northern Europe [2]	22,835	59%	15,623	43%
Others [5]	-10,480	-27%	-4,661	-13%
Total EBITDA	**38,583**	100%	**36,115**	100%
% EBITDA margin over Net Sales				
Southern Europe	11.6%		10.2%	
Northern Europe	8.8%		6.3%	
Others	n.a.		n.a.	
Total EBITDA	**8.0%**		**7.2%**	

EBITDA (adjusted)	**Q4, 2009**		**Q4, 2008**	
	Actuals	% of total	**Pro-forma**	% of total
Southern Europe [1]	26,228	69%	25,154	70%
Northern Europe [2]	22,715	60%	15,623	43%
Others [5]	-10,837	-28%	-4,661	-13%
Total EBITDA	**38,106**	100%	**36,115**	100%
% EBITDA adjusted margin over Net Sales				
Southern Europe	11.2%		10.2%	
Northern Europe	8.7%		5.8%	
Others	n.a.		n.a.	
Total EBITDA	**7.7%**		**6.9%**	

[1] Southern Europe includes operating activities managed in Spain and Portugal, which includes our fresh meat operations.

[2] Northern Europe includes the operating activities managed primarily in France, the Netherlands, Belgium and Germany.

[3] Includes the operating activities managed primarily in Romania.

[4] Intercompany sales, which are eliminated on consolidation

[5] Includes the operating activities managed in Romania and the headquarter expenses

OTHER UNAUDITED SELECTED CONSOLIDATED FINANCIAL INFORMATION FOR THREE MONTH PERIOD ENDED DECEMBER 31, 2009 AND DECEMBER 31, 2008.

Campofrio Food Group
(*In Thousands of Euros*)

Conciliation of Net Income to EBITDA adjusted	**Three month period ended December 31,**	
	2009	**2008**
	Actuals (unaudited)	**Pro-forma (unaudited)**
Net income Attributable to equity holders of the parent company	-3,351	-32,211
Net income Attributable to minority interest	82	175
Profit for the year from discontinued operations	2,360	-2,356
Income taxes	-6,145	18,460
Other income and expenses	7	22,690
Financial expenses, net	31,433	13,177
Depreciation and amortization	14,197	16,181
EBITDA	**38,583**	**36,115**
French Traditional Business		
Severance	-477	
Total Adjustments	-477	
EBITDA adjusted	**38,106**	**36,115**

ANNEXE C – CAMPOFRIO FOOD GROUP S.A. AND SUBSIDIARIES, CONSOLIDATED FINANCIAL STATEMENTS 2009 AND 2008

Audit Report

CAMPOFRÍO FOOD GROUP, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and Consolidated Management Report
for the year ended
December 31, 2009

ERNST & YOUNG

ERNST & YOUNG

Ernst & Young, S.L.
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Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (Note 39)

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
CAMPOFRÍO FOOD GROUP, S.A.

1. We have audited the consolidated financial statements of CAMPOFRÍO FOOD GROUP, S.A. and its subsidiaries, which comprise the consolidated statement of financial position at December 31, 2009 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes thereto for the year then ended, the preparation of which is the responsibility of the Parent Company's directors. Our responsibility is to express an opinion on the aforementioned consolidated financial statements taken as a whole, based upon work performed in accordance with auditing standards generally accepted in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the consolidated financial statements, and the evaluation of their presentation, of the accounting principles applied and of the estimates made.

2. In accordance with Spanish mercantile law, for comparative purposes the Parent Company's directors have included for each of the headings presented in the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes thereto, in addition to the figures of 2009, those of the prior year, which differ from those in the approved consolidated financial statements for said year. These differences are explained in Note 2.b) to the accompanying consolidated financial statements. Our opinion refers only to the consolidated financial statements for 2009. On February 27, 2009 we issued our audit report on the 2008 consolidated financial statements, in which we expressed an unqualified opinion.

3. In our opinion, the accompanying 2009 consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and the consolidated financial position of CAMPOFRÍO FOOD GROUP, S.A. and its subsidiaries at December 31, 2009 and the consolidated results of its operations, consolidated cash flows and changes in consolidated equity for the year then ended and contain the required information necessary for their adequate interpretation and understanding, in conformity with the International Financial Reporting Standards adopted by the European Union, which are consistent with those applied in the preparation of the figures and information related to the previous year, included in the accompanying financial statements for comparative purposes.

Domicilio Social: Pl. Pablo Ruiz Picasso, 1. 28020 Madrid
Inscrita en el Registro Mercantil de Madrid al
Tomo 12749, Libro 0, Folio 215, Sección 8ª,
Hoja M-23123, Inscripción 116. C.I.F. B-78970506

4. The accompanying 2009 consolidated management report contains such explanations as the directors of the Parent Company's consider appropriate concerning the situation of CAMPOFRÍO FOOD GROUP, S.A. and its subsidiaries, the evolution of its business and other matters; however, it is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the aforementioned consolidated management report agrees with the consolidated financial statements for the year ended December 31, 2009. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of CAMPOFRÍO FOOD GROUP, S.A. and its subsidiaries.

ERNST & YOUNG, S.L.

Antonio Vázquez Pérez

February 25, 2010

CAMPOFRÍO FOOD GROUP, S.A.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
2009

CONTENTS

CAMPOFRÍO FOOD GROUP, S.A
AND SUBSIDIARIES

Consolidated statement of financial position at December 31
(Thousands of euros)

Assets	Note	2009	2008 (Restated)
Property, plant and equipment	6	564,407	579,757
Goodwill	7	419,565	419,565
Other intangible assets	8	183,010	181,570
Non-current financial assets	9	6,111	6,641
Investments accounted for under the equity method	10	941	16
Biological assets		127	412
Deferred tax assets	28	65,948	59,214
Non-current assets		1,240,109	1,247,175
Biological assets		1,707	2,217
Inventories	11	273,900	319,290
Trade and other receivables	12	231,797	247,304
Other current financial assets	13	1,173	1,157
Other current assets		3,848	3,121
Cash and cash equivalents	14	160,159	119,801
Current assets		672,584	692,890
Assets classified as held for sale and discontinued operations	15	1,555	-
TOTAL ASSETS		1,914,248	1,940,065

Equity and Liabilities	Note	2009	2008 (Restated)
Issued capital		102,221	102,221
Share premium		424,967	429,719
Other reserves		83,020	89,783
Translation differences		(1,420)	(840)
Treasury shares		(6,736)	(6,741)
Profit (loss) attributable to equity holders of the parent		13,965	(5,849)
Equity attributable to equity holders of the parent		616,017	608,293
Equity attributable to minority interests		10,014	9,965
Equity	16	626,031	618,258
Debentures	17	482,888	226,806
Interest-bearing loans and borrowings	18	-	150,583
Other financial liabilities	19	73,009	70,479
Deferred tax liabilities	28	126,110	122,311
Other non-current liabilities	20	21,240	22,133
Provisions	21	51,312	39,011
Non-current liabilities		754,559	631,323
Debentures	17	6,760	2,658
Interest-bearing loans and borrowings	18	6,783	79,841
Trade and other payables	22	449,720	457,310
Other financial liabilities	24	2,105	4,250
Income tax payable	28	462	5,808
Provisions	21	9,318	23,899
Other current liabilities	23	58,510	116,718
Current liabilities		533,658	690,484
Total liabilities		1,288,217	1,321,807
TOTAL EQUITY AND LIABILITIES		1,914,284	1,940,065

CAMPOFRÍO FOOD GROUP, S,A,
AND SUBSIDIARIES

Consolidated income statement
for the year ended December 31,
(Thousands of euros)

	Note	2009	2008
Operating revenues			
Net sales and services	29	1,845,655	921,829
Increase in inventories of finished goods and work in progress		-	5,600
Capitalized expenses of Company work on assets		285	460
Other operating revenues		11,474	7,010
		1,857,414	934,899
Operating expenses			
Decrease in inventories of finished goods and work in progress		35,823	-
Consumption of goods and other external charges		959,652	469,456
Employee benefits expense	30	351,117	155,328
Depreciation and amortization		56,877	27,851
Changes in trade provisions		2,173	1,356
Other operating expenses		372,864	232,726
		1,778,506	886,717
CONSOLIDATED OPERATING PROFIT		78,908	48,182
Finance revenue			
Other interest and similar income		4,422	7,042
Exchange rate gains		6,127	23,718
		10,549	30,760
Finance costs			
Interest-bearing loans and borrowings		38,518	18,794
Other finance costs		23,582	4,227
Change in fair value of financial instruments		1,419	1,449
Exchange losses		6,918	25,013
		70,437	49,483
NET FINANCE COST		(59,888)	(18,723)
Impairment of assets		-	(3,000)
Share of profit (loss) of investments accounted for using the equity method	Appendix V	(19)	(202)
PROFIT BEFORE TAX		19,001	26,257
Income taxes	28	(2,293)	(12,848)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		16,708	13,409
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	15	(2,360)	(18,589)
PROFIT (LOSS) FOR THE YEAR		14,348	(5,180)
Attributable to:			
Minority interests		383	669
Equity holders of the parent		13,965	(5,849)
Earnings per share for continuing operations:	4		
- basic, for profit for the year attributable to equity holders of the parent		0.161	0.246
- diluted, for profit for the year attributable to equity holders of the parent		0.161	0.246
Earnings per share:			
- basic, for profit for the year attributable to equity holders of the parent		0.138	(0.113)
- diluted, for profit for the year attributable to equity holders of the parent		0.138	(0.113)

CAMPOFRÍO FOOD GROUP, S,A,
AND SUBSIDIARIES

Consolidated statement of comprehensive income
for the years ended December 31,
(Thousands of euros)

	Note	2009	2008
PROFIT (LOSS) FOR THE YEAR		14,348	(5,180)
Translation differences		(595)	(1,446)
Change in fair value of financial instruments	36	(1,048)	2,733
Income taxes		357	(820)
		(691)	1,913
Actuarial gains and losses	21	(5,376)	-
Income taxes		1,038	-
		(4,338)	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR		(5,624)	467
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		8,724	(4,713)
Attributable to:			
Minority interests		368	636
Equity holders of the parent		8,356	(5,349)

CAMPOFRÍO FOOD GROUP, S,A,
AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT
for the years ended December 31,
(Thousands of euros)

	Notes	2009	2008
Profit after tax from continuing operations		16,708	13,409
Loss after tax from discontinued operations	15	(2,360)	(18,589)
Depreciation/amortization of assets		56,877	27,851
Impaitment of assets		(859)	3,000
Adjustment to reconcile profit before tax to net cash flows		72,442	44,635
Operating profit before changes in working capital		142,808	70,306
Working capital adjustments		38,738	(2,387)
Cash flows from operating activities		181,546	67,919
Net interest expense		(33,817)	(15,043)
Provisions and pensions		(22,921)	-
Income tax paid	20	(8,456)	(2,349)
Receipt of government grants		6,656	554
Net cash flows from operating activities		123,008	51,081
Proceeds from sale of subsidiaries		-	5,594
Purchase of property, plant and equipment		(46,303)	(47,619)
Proceeds from sale of property, plant and equipment		3,160	839
Investments in group companies		(924)	(10,000)
Purchase of other financial assets		(372)	(2,296)
Acquisitions of minority interests		-	(4,548)
Acquisitions of subsidiaries	7	-	(3,284)
Collection of loans granted		-	398
Net cash flows used in investing activities		(44,439)	(60,916)
Bond issues		488,075	-
Other payments related to bond issues		(21,979)	-
Change in current financial liabilities		(68,412)	(307)
Change in non-current financial liabilities		-	(4,219)
Purchase of treasury shares	16	(634)	(11,486)
Dividends paid to parent shareholders		(47,150)	(12,000)
Dividends paid to minority interests		(319)	(293)
Removal from consolidation scope		-	9,582
Repayment of borrowings and bonds	18	(387,792)	(75,000)
Net cash flows used in financing activities		(38,211)	(93,723)
Net increase / (decrease) in cash and cash equivalents		40,358	(103,558)
Cash and cash equivalents at January 1	14	119,801	223,359
Cash and cash equivalents at December 31	14	160,159	119,801
		40,358	(103,558)

CAMPOFRÍO FOOD GROUP, S,A, AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2009
(Thousands of euros)

	Equity attributable to equity holders of the parent								
	Issued capital (Note 16)	Share premium (Note 16)	Other reserves (Note 16)	Translation differences (App. VI)	Profit for the year attributable to equity holders of the parent	Treasury shares (Note 16)	Total	Minority interests (App. VII)	Total equity
Balance at December 31, 2008	102,221	429,719	89,783	(840)	(5,849)	(6,741)	608,293	9,965	618,258
Profit for the period	-	-	-	-	13,965	-	13,965	383	14,348
Other comprehensive income	-	-	(5,029)	(580)	-	-	(5,609)	(15)	(5,624)
Total comprehensive income			(5,029)	(580)	13,965		8,356	368	8,724
Distribution of 2008 profit:	-	-		-	-	-	-	-	-
To voluntary reserves	-	-	(20,365)	-	20,365	-	-	-	-
To reserves at consolidated companies	-	-	14,516	-	(14,516)	-	-	-	-
Other changes in equity	-	(4,752)	4,752	-	-	-	-	-	-
Transactions with treasury shares (net)	-	-	(637)	-	-	5	(632)	-	(632)
Dividends of subsidiaries	-	-	-	-	-	-	-	(319)	(319)
Balance at December 31, 2009	102,221	424,967	83,020	(1,420)	13,965	(6,736)	616,017	10,014	626,031

CAMPOFRÍO FOOD GROUP, S,A, AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2008
(Thousands of euros)

	Equity attributable to equity holders of the parent								
	Issued capital (Note 16)	*Share premium (Note 16)*	*Other reserves (Note 16)*	*Translation differences (App. VI)*	*Profit for the year attributable to equity holders of the parent*	*Treasury shares*	*Total*	*Minority interests (App. VII)*	*Total equity*
Balance at December 31, 2007	52,644	173,012	68,315	1,682	32,153	(13,757)	314,049	14,878	328,927
Profit for the period	-	-	-	-	(5,849)	-	(5,849)	669	(5,180)
Other comprehensive income	-	-	1,913	(1,413)	-	-	500	(33)	467
Total comprehensive income	-	-	1,913	(1,413)	(5,849)	-	(5,349)	636	(4,713)
Distribution of 2007 profit:									
To voluntary reserves	-	-	37,588	-	(37,588)	-	-	-	-
To reserves at consolidated companies	-	-	(4,326)	(1,109)	5,435	-	-	-	-
Capital increases	49,577	321,260	-	-	-	-	370,837	-	370,837
Dividends									
Dividends paid at June 17, 2008	-	(17,403)	(12,000)	-	-	17,310	(12,093)	-	(12,093)
Dividends paid at October 24, 2008	-	(47,150)	-	-	-	-	(47,150)	-	(47,150)
Transactions with treasury shares (net)	-	-	(1,912)	-	-	(10,294)	(12,206)	-	(12,206)
Dividends of subsidiaries	-	-	-	-	-	-	-	(293)	(293)
Acquisition of minority interests	-	-	-	-	-	-	-	(5,256)	(5,256)
Other movements	-	-	205	-	-	-	205	-	205
Balance at December 31, 2008	102,221	429,719	89,783	(840)	(5,849)	(6,741)	608,293	9,965	618,258

1. CORPORATE INFORMATION

Campofrío Food Group, S.A. (the parent), with registered office at Avda. de Europa, 24, Parque Empresarial la Moraleja in Alcobendas (Madrid), was incorporated as a private limited company in Spain on September 1, 1944, under the registered name Conservera Campofrío, S.A. On June 26, 1996 the Company's name was changed to Campofrío Alimentación, S.A. and on December 30, 2008, it was changed to its current name, Campofrío Food Group, S.A.

Campofrío Food Group, S.A. is the parent of a Group of companies accounted under the full and equity consolidation methods. Appendix I provides the breakdown of subsidiaries and associates companies of the Campofrío Group, along with their activities, registered addresses and the percentage of ownership.

The parent manufactures and sells products for both human and animal consumption. The principal activity of the parent and the Group companies are to manufacture, sell and distribute processed and canned meat and derivatives from pork and beef by-products and other food products.

The Group formerly operated throughout Spain at factories in Burgos, Villaverde (Madrid), Torrijos (Toledo), Ólvega (Soria), Torrente (Valencia) and Trujillo (Cáceres) and at its subsidiaries in Romania and Portugal. In addition, as of December 30, 2008, the Group operates through its new subsidiaries in Belgium, France, Germany, Italy, Portugal and the Netherlands (Note 7).

Through its subsidiaries, the Group operated in Russia until June 30, 2008 (Note 15).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

a) *Basis of presentation*

The accompanying consolidated financial statements were prepared by the directors of the parent in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU-IFRS) in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council.

The Campofrío Group has adopted the latest versions of all applicable standards issued by the EU Accounting Regulatory Committee (EU-IFRS) which are deemed mandatory at December 31, 2009.

The 2009 individual financial statements of each Group company will be presented for approval at the respective General Shareholders' Meetings within the periods established by prevailing legislation. The directors of the parent consider that no significant changes will be made to the 2009 consolidated financial statements as a result of these meetings. The Campofrío Group's consolidated financial statements for 2009 are drawn up by the parent's Board of Directors on February 25, 2010. They are expected to be approved by the parent's shareholders in general meeting without modification.

The figures contained in the documents which make up the consolidated financial statements are expressed in thousands of euros, unless otherwise indicated.

b) Comparison of information

As required by IAS 1, for comparative purposes, the information contained in these consolidated financial statements for 2008 is presented with the information relating to 2009 and does not in itself constitute the consolidated financial statements for 2008.

As explained in Note 7, on December 30, 2008 the parent acquired control of the Spanish company, Groupe Smithfield Holdings, S.L. The consolidated financial statements at December 31, 2008 included the provisional recognition of the assets and liabilities acquired from this business combination. In the consolidated financial statements for 2009, the recognition of the assets and liabilities from the acquired business at fair value is definitive. Consequently, the figures for December 31, 2008 have been restated in the accompanying consolidated statement of financial position as follows:

	Thousands of euros		
Assets	Balances at 12/31/2008 included in the 2008 consolidated financial statements	Restated balances at 12/31/2008	Difference (Note 7)
Property, plant and equipment	609,770	579,757	(30,013)
Goodwill	391,689	419,565	27,876
Other intangible assets	179,835	181,571	1,736
Non-current financial assets	6,641	6,641	-
Investments accounted for under the equity method	16	16	-
Biological assets	412	412	-
Deferred tax assets	61,777	59,213	(2,564)
Non-current assets	1,250,140	1,247,175	(2,965)
Biological assets	2,217	2,217	-
Inventories	318,698	319,290	592
Trade and other receivables	266,207	247,304	(18,903)
Other current financial assets	1,157	1,157	-
Other current assets	3,121	3,121	-
Cash and cash equivalents	119,801	119,801	-
Current assets	711,201	692,890	(18,311)
TOTAL ASSETS	1,961,341	1,940,065	(21,276)
Liabilities			
Equity attributable to equity holders of the parent	608,293	608,293	-
Equity attributable to minority interests	9,965	9,965	-
Equity	618,258	618,258	-
Debentures	226,806	226,806	-
Interest-bearing loans and borrowings	150,583	150,583	-
Other financial liabilities	70,479	70,479	-
Deferred tax liabilities	139,754	122,311	(17,443)
Other non-current liabilities	19,098	22,133	3,035
Provisions	39,115	39,011	(104)
Non-current liabilities	645,835	631,323	(14,512)
Debentures	2,658	2,658	-
Interest-bearing loans and borrowings	79,841	79,841	-
Trade and other payables	456,730	457,310	580
Other financial liabilities	4,250	4,250	-
Income tax payable	12,705	5,808	(6,897)
Provisions	23,899	23,899	-
Other current liabilities	117,165	116,718	(447)
Current liabilities	697,248	690,484	(6,764)
Total liabilities	1,343,083	1,321,807	(21,276)
TOTAL EQUITY AND LIABILITIES	1,961,341	1,940,065	(21,276)

c) Changes in accounting policies and disclosures

The Campofrío Group has applied all the standards or interpretations issued and in force at January 1, 2009.

The main accounting principles applied by the Campofrio Group in the preparation of the consolidated financial statements for 2009 are consistent with those applied in the preparation of the Group's consolidated financial statements for the previous year, with the exception of the application of the new standards and interpretations, as adopted by the EU, which are outlined below:

- IFRS 2 Share-based payments – Vesting conditions and cancellations effective January 1, 2009
- IFRS 7 Financial instruments – Disclosures effective January 1, 2009
- IFRS 8 Operating segments effective January 1, 2009 but early adopted
- IAS 1 Presentation of Financial Statements effective January 1, 2009
- IAS 23 Borrowing costs (revised) effective January 1, 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 *Puttable financial instruments and obligations arising on liquidation* effective January 1, 2009
- IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 *Financial instruments: recognition and measurement* effective January 1, 2009
- IFRIC 11 IFRS 2 - Group and treasury share transactions effective January 1, 2009
- IFRIC 13 Customer Loyalty Programs effective January 1, 2009
- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction effective January 1, 2009
- Improvements to IFRS (May 2008) effective January 1, 2009 (except for IFRS 5 effective July 1, 2009)

The impact of the standards or interpretations on the consolidated financial statements is described below:

- *Revised IAS 1 – Presentation of financial statements*

  a) Re-naming of the components of the financial statements

     The Group has opted to use the new names indicated in revised IAS 1. Consequently, the former balance sheet is now called statement of financial position.

b) New financial statements

The Group has opted, as permitted by revised IAS 1, to present all recognized income and expense for the year in two statements:

- Income statement: This statement gives the components of profit and loss.

- Statement of comprehensive income: This statement starts with profit (loss) and shows the results of other comprehensive income.

- Statement of changes in equity as established in the new revised IAS 1: The revised standard separates changes in equity relating to owners and those relating to non-owners. In the statement of changes in equity only transactions with owners are itemized whereas the changes with non-owners are presented on a single line.

- *IFRS 2 "Share-based payments" – Vesting conditions and cancellations*

The standard has been amended in order to clarify the definition of vesting conditions and to define the accounting treatment of cancellations of share-based payment agreements in the event of failure to satisfy a condition which does not vest. Adopting this amendment has had no impact on the Group's financial position or results.

- *IFRS 7 Financial instruments - Disclosures*

The amended standard requires more disclosures on the determination of fair value and liquidity risk. Fair value determination of items recognized at fair value must be broken down by the nature of the assumptions using a three-level hierarchy for each category of financial instrument. In addition, a reconciliation from the beginning balances to the ending balances is required for the third level of fair value determination, as well as for significant transfers between the hierarchy levels. These amendments likewise clarify the disclosure requirements for liquidity risk with respect to derivative transactions and assets used to manage liquidity. Disclosures regarding fair value measurement are included in Note 27. The amendments have no significant impact on liquidity risk disclosures and are shown in Note 25.

- *IFRS 8 – Operating segments*

IFRS 8 replaces IAS 14 on segment information as of its date of application. The standard requires disclosure of information on Group operating segments and eliminates the requirements to identify the Group's primary segments (business) and secondary segments (geographic). The Group opted for early adoption of IFRS 8 as of January 1, 2008.

- *IAS 23 "Borrowing costs (revised)"*

The revised IAS 23 requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This change did not have an impact on the financial position or results of the Group, since the Group's former policy was to capitalize borrowing costs relating to qualifying assets.

- *IAS 32 - Financial Instruments: Presentation and IAS 1 Puttable financial instruments and obligations arising on liquidation*

The standards have been revised to allow an exception for puttable financial instruments to be classified as equity if they fulfill certain requirements. The Group does not have this type of financial instruments; hence adopting these modifications has not had an impact on the Group's financial position or results.

- *IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial instruments: Recognition and measurement*

This amendment to IFRIC 9 requires that an entity assess whether an embedded derivative is required to be separated from the host contract when the entity reclassifies a hybrid financial asset from the at fair value through profit or loss category. This assessment shall be made on the basis of the circumstances that existed on the later date of: (a) when the entity first became a party to the contract; and (b) a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract. IAS 39 now establishes that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. The Group has not had any hybrid financial instruments in 2009 therefore this interpretation and change in IAS 32 does not have an impact on its 2009 figures.

- *IFRIC 13 "Customer Loyalty Programs"*

This interpretation requires that credits/points awarded to customers are recognized as a separately identifiable component of the sale transaction in which they are granted. Given that the Group does not have any points-based customer loyalty programs, this interpretation has no impact on the Group's financial position or results.

- *IFRIC 16 – "Hedges of Net Investments in Foreign Operations"*

This interpretation must be applied prospectively. IFRIC 16 provides guidelines on the recognition of a hedge of a net investment. It contains guidelines to identify exchange rate risks that can be included in the recognition of a net investment hedge, where in a group the hedging instrument of a net investment can be held and how an entity should determine foreign currency gains or losses, on the net investment and on the hedging instrument, which should be reclassified from equity to profit or loss on disposal of the net investment in the foreign operation. The Group has not used this type of hedge; hence adopting this interpretation has had no impact on its financial position or results.

- *IFRS improvements*

In May 2008 the IASB published for the first time IFRS improvements within the framework of an annual process of improvements aimed at eliminating inconsistencies and clarifying certain standards, including specific transitional provisions for each standard. Adopting the following amendments has led to a change in accounting policies; however, this has had no impact on the Group's financial position or results.

- IAS 1 – "Presentation of financial statements": Assets and liabilities classified as held for trading conform to IAS 39 "Financial Instruments: Recognition and Measurement." They are not automatically classified as current in the statement of financial position. The Group has changed its accounting policies and has analyzed if management's expectations in respect of the period in which the assets and liabilities will be realized differs from the instrument's classification. This has not led to any reclassifications of financial instruments from current to non-current or vice versa in the statement of financial position.

- IAS 16 – Property, Plant and Equipment: "Net selling price" is replaced by "fair value less cost to sell." The Group has changed its accounting policy accordingly; however, this has had no impact on its financial position.

- IAS 20 – "Accounting for government grants and disclosure of government assistance": Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates. This change did not have a significant impact on the Group.

- IAS 23 – "Borrowing costs": The definition of borrowing costs has been revised to consolidate into a single entry the two entries considered components of "Borrowing costs" (the interest cost calculated using the effective interest rate method pursuant to IAS 39). The Group has changed its accounting policy accordingly; however, this has had no impact on its financial position.

- IAS 36 "Impairment of assets": When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This change does not have an immediate impact on the consolidated financial statements of the Group since the recoverable amount of cash-generating units is currently estimated using 'value in use.'

- IAS 38 – "Intangible Assets": Advertising and promotional activity are recognized as an expense when the Group has a right to have access to the goods or the service has been rendered. This change does not have an impact on the Group.

The modifications of the following standards have had no impact on the Group's accounting policies, financial position or results.

- IAS 8 - "Accounting policies, changes in accounting estimates and errors"
- IAS 10 - "Events after the balance sheet date"
- IAS 19 - "Employee benefits"
- IAS 20 - "Accounting for government grants and disclosure of government assistance"
- IAS 28 - "Investments in associates"
- IAS 31 - "Interests in joint ventures"
- IAS 34 - "Interim Financial Reporting"
- IAS 36 - "Impairment of assets"
- IAS 40 - "Investment properties"
- IAS 39 - "Financial Instruments: Recognition and measurement"

At the date these consolidated financial statements were prepared, the Group elected not to implement early application of the following non-mandatory IFRS standards and interpretations:

Standard, Interpretation and Amendment.		Mandatory in financial years beginning on or after
Revised IFRS 3	Business combinations	July 1, 2009
Revised IFRS 27	Individual and consolidated financial statements	July 1, 2009
Amendment to IAS 39	Eligible hedged items	July 1, 2009
IFRS 5	Amendment to IFRS 5 under the improvements project	July 1, 2009
IFRS 9 (*)	Financial Instruments	January 1, 2012
Revised NIC 24 (*)	*Related parties*	January 1, 2011
IFRIC 15	*Agreements for the construction of real estate*	January 1, 2010
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*	July 1, 2009
Amendment to IFRIC 9 and IAS 39	*IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement"*	(***)
IFRIC 17	*Distributions of non-cash assets to owners*	July 1, 2009
IFRIC 18	Transfers of assets from customers (**)	July 1, 2009
Amendment to IFRS 2	Group cash-settled share-based payment transactions	January 1, 2010
IFRS improvements (*)	Improvements to IFRS 2009. Several.	July 1, 2009
Revised IFRS 1 (*)	Additional exceptions for first-time adoption of IFRS	January 1, 2009
IFRIC 14 (*)	The limit on a defined benefit asset, minimum funding requirements and their interaction	January 1, 2011
IFRIC 19 (*)	Extinguishing financial liabilities with equity instruments	July 1, 2010

(*) Not adopted by the European Union

(**) Applies to transfers carried out on or after July 1, 2009

(***) Mandatory in financial years ended on or after June 30, 2009

The Group is currently analyzing the impact of adopting the aforementioned standards, amendments and interpretations and they may have some impact on the consolidated financial statements in the period of their initial application.

d) Accounting policies

The accompanying consolidated financial statements comprise the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, the consolidated statement of changes in equity and the notes to the financial statements, which are integral part of the consolidated financial statements. These consolidated financial statements are presented in accordance with historical cost principles except for financial instruments held for trading, available-for-sale financial assets and derivatives that have been measured at fair value. Non-current assets held for sale have been measured at the lower of their carrying amount or fair value less cost to sell.

Accounting policies have been applied in a consistent manner by all Group companies.

The main accounting principles applied by the Campofrío Group in the preparation of the consolidated financial statements under EU-IFRS are as follows:

d.1) Use of estimates

The preparation of the financial statements under EU-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities at the reporting date. These estimates and assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amount of the assets and liabilities that are not readily apparent from other sources. However, uncertainty inherent in these assumptions and estimates could result in outcomes that could require an adjustment to the carrying amount of the asset or liability affected in the future.

Estimates and assumptions

Estimates and assumptions are reviewed on an ongoing basis. The impact of changes in accounting estimates is recognized in the period in which the estimates are changed if they affect only that period, or in the period of the changes and future periods if they affect both current and future periods. The estimates made by the Group relate mainly to:

- Impairment of non-current assets

When measuring non-current assets other than financial assets, especially goodwill and brands, estimates must be made to determine their fair value to assess if they are impaired. To determine fair value, the directors estimate, where applicable, the expected cash flows from assets and the cash-generating units to which they belong, applying an appropriate discount rate to calculate the present value of these cash flows. The main assumptions used to determine fair value and in the sensitivity analyses are described in Note 7.

- Pensions and other post-employment benefits

The cost of defined benefit pension plans is determined by actuarial valuations. The actuarial valuations require the use of hypotheses on the discount rate, the return on assets, salary increases, mortality tables and social security pension increases. These estimates are subject to significant uncertainties given that such plans are liquidated in the long-term (Note 21).

- Calculation of fair value, value in use, and present values

Fair value, value in use, and current values are calculated based on assumptions related to the value of future cash flows and related discount rates. Estimates and assumptions based on historic experience and other factors are considered reasonable given the circumstances.

- Fair value of financial instruments

When the fair value of financial assets and liabilities recognized on the consolidated statement of financial position cannot be reliably measured in reference to an active market, the Group applies valuation methodologies such as discounted cash flow analyses.

- Deferred tax assets

Deferred tax assets are recognized for all unused tax loss carryforwards and deductible temporary differences for which it is probable that future taxable profit will be available against which these assets may be utilized. To determine the amount of deferred tax assets that can be recognized, the directors estimate the amounts and dates on which future taxable profits will be obtained and the reversion period of taxable temporary differences (Note 28).

- Provisions related to current claims and ongoing lawsuits

The Group has made judgments and estimates as to the likelihood that risks will materialize that could require that a provision be recognized, as well as the corresponding amounts. Accordingly, a provision is recognized only when the risk is considered probable, estimating the cost that would be generated by the obligating event (Note 21).

- Share-based payment transactions

The Group determines the cost of share-based payments using the fair value of the options to be awarded on the agreed grant date. To estimate the fair value of these transactions the appropriate valuation model must be determined, which depends on the agreed-upon terms and conditions. The estimate must likewise take into consideration the option's expected life, the price of the underlying shares, the expected share price volatility, an estimate of expected dividends on the share and the risk-free interest rate for the life of the option, for which the use of assumptions is required. The option valuation models and the assumptions used for the various plans are described in Note 34.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have a significant effect on the amounts recognized in the consolidated annual financial statements:

Operating lease commitments – Group as lessee

The Group has entered into leases to carry out its business. The Group has determined, based on an evaluation of the terms and conditions of some of the arrangements, that the lessor retains all the risks and rewards of ownership of the assets and so accounts for the contracts as operating leases. Operating lease payments are recognized as an expense in the consolidated income statement on a straight line basis over the lease term.

d.2.) Basis of consolidation

The consolidated financial statements comprise the financial statements of Campofrío Food Group, S.A. and subsidiaries. The financial statements for the subsidiaries have the same financial year end as the parent's and have been prepared using the same accounting standards. Any restatements necessary due to differences in accounting criteria have been made.

The information relating to subsidiaries and associates, as well as each company's contribution to consolidated results, is shown in Appendixes I (Breakdowns of Group companies) and VI (Breakdown and composition of minority interests and the contribution to consolidated results), which form an integral part of this note.

d.2.1 Consolidation principles

Subsidiaries are consolidated from the date on which control is obtained from the company to the Group, and cease to be consolidated from the moment when that control is transferred away from the Group. In the event of the Group losing control of a subsidiary, the consolidated financial statements include the results of the portion of the year during which the Group held control.

d.2.2 Subsidiaries

The full consolidation method is used for companies within the consolidation scope: (i) in which the parent has a direct or indirect interest greater than 50% and holds a majority of the voting rights in the corresponding governing bodies; (ii) in which the ownership interest is 50% or less and the parent has control over the management.

d.2.3 Associates

Companies over which the Campofrlo Group holds no control, but exercises significant influence, have been consolidated under the equity method. For the purposes of the preparation of the consolidated financial statements, the Group has been deemed to exercise significant influence over the companies in which it holds an interest of more than 20%, with the exception of specific cases in which the Group holds a smaller percentage interest but there is clear evidence of the existence of significant influence.

d.2.4 Transactions between companies included in the consolidation scope

The following transactions and balances have been eliminated on consolidation:

- Reciprocal receivables and payables and the expenses and income from intra-Group transactions.

- Income from the purchase and sale of property, plant and equipment and unrealized gains on inventories, if the amount is significant.

- Internal dividends and debit balance due to interim dividends recorded by the company that paid them.

d.2.5 Year-end dates

The closing date for the financial statements of the companies making up the Campofrlo Group is December 31.

d.2.6 Minority interests

Minority interests represent the portion of profit or loss and net equity not held by the Group.

The value of the share of minority interests in equity and results for the year of consolidated subsidiaries is shown in "Equity attributable to minority interests" on the consolidated statement of financial position and in "Profit (loss) Attributable to minority interests" in the consolidated income statement, respectively.

d.2.7 Translation of financial statements of foreign subsidiaries

The consolidated annual financial statements are presented in euros, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The consolidated statement of financial position and consolidated income statement headings of consolidated foreign companies are translated to euros at the year-end exchange rate, which means:

- All assets, rights and liabilities are translated to euros at the exchange rate ruling at the close of the foreign subsidiaries' accounts.

- The items on the consolidated income statement are translated at the average exchange rate.

The difference between the equity of foreign companies, including the balance on the consolidated income statement, translated at year-end exchange rates and the equity obtained translating the assets, rights and liabilities by applying the criteria set forth above are shown under "Translation differences", under equity in the consolidated statement of financial position.

d.3.) Business combinations and goodwill

Business combinations are recognized through the acquisition method.

Goodwill acquired in a business combination is initially measured at cost; i.e. the excess of the cost of the business combination over the parent's interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired from the investee.

If the parent's interest in the fair value of the identifiable assets, liabilities and contingent liabilities exceed the cost of the business combination, the parent reconsiders the identification and measurement of the assets, liabilities and contingent liabilities of the acquiree, as well as the measurement of the cost of the business combination. It recognizes any excess that continues to exist after this reconsideration in profit and loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units or groups of cash-generating units expected to benefit from the combination's synergies, irrespective of whether other Group assets or liabilities are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or groups of cash-generating units to which the goodwill relates. If the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, the Group recognizes an impairment loss.

Goodwill impairment losses cannot be reversed in future periods.

d.4.) Other intangible assets

Other intangible assets acquired by the Group are stated at cost less accumulated amortization and any accumulated impairment losses. The cost of other intangible assets acquired in a business combination is fair value as of the date of acquisition.

Internally generated intangible assets -excluding capitalized development costs- are not capitalized. Costs are charged against profits for the year in which they were incurred.

An intangible asset is recognized only if it is probable that it will generate future income for the Group and that its cost can be reliably measured.

Costs incurred in each particular development project are capitalized when the Group can demonstrate the technical viability of completing the intangible asset in order to use it or sell it, the intention of completing the asset use it or sell it, the ability to generate future economic benefits, the availability of resources to complete it, and its ability to measure expenditure attributable to the intangible asset reliably. Following initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and any accumulated impairment losses. Capitalized development costs are amortized over the period of expected future sales from the related project.

The parent assesses the intangible asset's useful life to be either finite or indefinite.

The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement on a straight-line basis over their estimated useful life. Intangible assets are amortized from the date they are available for use. The amortization percentages used are as follows:

Software	20%-25%
Patents and licenses	5%-33%

Intangible assets with indefinite useful lives, which are limited to brand names, are not amortized and are assessed for impairment at least annually. The assessment of the indefinite useful life of these assets is reviewed annually.

Gains or losses on the disposal of an intangible asset are carried at the difference between the net proceeds and the carrying amount of the asset and recorded in the consolidated income statement once the asset is disposed of.

d.5) Property, plant and equipment

Property, plant and equipment are stated at acquisition or production cost, which includes all costs and expenses directly related to the assets acquired until they are available for use and legal revaluations made by the Group up to the transition date to adjust the value of the assets to inflation, less accumulated depreciation and any impairment loss.

Leased assets in which the terms of the contract transfers to the Group substantially all the risks and benefits incidental to ownership are classified as leases. Assets acquired under financial lease arrangements are recognized, based on their nature, at the fair value of the leased item or, if lower, the present value at the commencement of the lease of the minimum lease payments. A financial liability is recorded for the same amount. Lease payments are apportioned between finance charges and reduction of the lease liability. These assets are depreciated, impaired, and derecognized using the same criteria applied to assets of a similar nature.

Subsequent expenses incurred in connection with the asset are only capitalized when such expenses increase the future economic benefits of the related asset.

All other expenses are charged to the consolidated income statement when incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognized.

The depreciation expense is recognized in the consolidated income statement on a straight-line basis over the estimated useful life of each asset. The assets are depreciated from the moment they are available for use.

Depreciation is calculated on a straight-line basis to write off the cost of the assets over their estimated useful lives, as follows:

Buildings	33 - 50
Plant and machinery	5 - 16
Other installations, tools and furniture	4 - 17
Other	4 - 13

At each year end, the Group reviews and adjusts, where necessary, the assets' residual values, useful lives and depreciation method.

Borrowing costs that are directly attributable to the acquisition or development of property, plant and equipment are capitalized when assets require generaly more than a year to be ready for use. During 2009 and 2008 no borrowing costs have been capitalized.

d.6) Financial Assets

Recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

The Group determines the classification of its financial assets on initial recognition and re-evaluates this designation at each financial year end.

All financial assets are initially measured at fair value, except investments which are not at fair value through profit and loss; these are measured at fair value plus any directly attributable transaction costs.

- Held-for-trading financial assets

Financial investments classified as held for trading are recognized at fair value, with any resulting gain or loss recognized in the consolidated income statement. Fair value is the market price at the date of the consolidated statement of financial position.

Financial assets classified as held for trading are included in the category "Financial assets at fair value through profit and loss". Financial assets are classified as held for trading when they are acquired for the purpose of selling in the near future. Derivatives are also classified as held for trading unless they are effective hedging instruments and identified as such. Gains or losses on financial assets held for trading are recognized in the income statement. The Group assesses whether derivatives must be separated from the related contracts at the time the Group becomes a party to them. Revaluation is made only if a change in the terms of the contract has a significant impact on cash flows.

- Loans and receivables

The Group recognizes in this category trade and non-trade receivables, which include financial assets with fixed or determinable payments that are not quoted on active markets and for which the Group expects to recover the full initial investment, except in cases of the debtor's credit deterioration.

They are carried at amortized cost using the effective interest method, less any impairment charges.

Loans and receivables maturing in 12 months or less from the date of the consolidated statement of financial position are classified therein as current and those maturing in over 12 months as non-current. The Group makes a provision for impairment of loans and receivables when there is objective evidence of impairment and the circumstances are such that they can reasonably be classified as of doubtful collectability. Current investments are not shown at their discounted value.

- Held-to-maturity investments

Held-to-maturity investments include debt instruments with fixed maturities and fixed or determinable payments that are traded on active markets and which the Company has the positive intention and the financial capacity to hold to maturity.

These are recognized at fair value upon initial recognition on the consolidated statement of financial position. Thereafter they are carried at amortized cost using the effective interest method, less any impairment charges.

- Available-for-sale financial assets

This category includes debt securities and equity instruments that have not been classified in any of the preceding categories.

They are recognized at fair value and any changes in fair value are recognized directly in equity ("Other comprehensive income") except impairment losses, which are included directly in the consolidated income statement. When these investments are sold, any accumulated gains or losses directly recognized in equity are included in the consolidated income statement.

If an available-for-sale investment has no benchmark market price in an active market and there is no other way to reasonably determine its fair value, the investment is carried at cost less any impairment loss.

Derecognition

The Group derecognizes a financial asset when it has transferred its rights to receive cash flows from the asset or when the Group retains these rights, but has assumed an obligation to pay them to a third party or has transferred substantially all the risks and rewards of the asset.

In the transfer of assets where the Group retains substantially all the risks and rewards of the asset, the transferred financial asset is not derecognized. A financial liability is recognized for the same amount as the consideration received and the asset is subsequently measured at amortized cost. The transferred financial asset is measured using the same criteria as for the asset. Both the revenue from the financial asset transferred and the cost of the financial liability are recognized in profit or loss, without offsetting on the consolidated income statement.

d.7) Investments accounted for under the equity method

Group investments in associates are accounted for under the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate less any impairment losses. The consolidated income statement reflects the percentage of share in the profit (loss) of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of the change in "Other reserves" and discloses this, when applicable, in the statement of changes in equity.

d.8) Impairment of assets

d.8.1 Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

For assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the cash-generating units to which the asset belongs.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the consolidated income statement.

Impairment losses in respect of Cash-Generating Units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and, then, to reduce the carrying amount of the other assets based on a review of the individual assets that show indications of impairment.

Except in the case of goodwill, a previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount. Such reversal is recognized in the consolidated income statement.

The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset.

The following criteria are also applied in assessing impairment of specific assets:

- The Group tests goodwill and intangible assets with indefinite useful lives for impairment annually or more frequently when circumstances or changes in circumstances indicate that the carrying value may be impaired.

- Impairment is determined for goodwill and intangible assets with indefinite useful lives by assessing the recoverable amount of the cash-generating units. When the recoverable amount of a cash-generating unit is less than its carrying amount of the goodwill or the intangible assets an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performed impairment tests on goodwill at December 31, 2009 and 2008.

d.8.2 Impairment of financial assets

There is objective evidence that debt instruments (trade receivables, loans and debt securities) are impaired when after initial recognition an event occurs which has a negative impact on the related estimated future cash flows.

The Group classifies as impaired assets (doubtful exposures) debt instruments for which there is objective evidence of impairment, which refers basically to the existence of unpaid balances, non-compliance issues, refinancing and data which evidences the possible irrecoverability of total agreed-upon future cash flows or collection delays.

There is objective evidence that equity instruments are impaired when one or more events have occurred after initial recognition that indicate that their carrying amount may not be recovered due to a prolonged or significant decline in their fair value.

When a decline in the fair value of an available-for-sale financial asset has been directly recognized in equity and there is objective evidence that the asset is impaired, the cumulative losses previously reported in equity are included in the consolidated income statement. The cumulative loss recognized in profit or loss is the difference between cost and current fair value.

Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit for the year.

If the fair value of a debt instrument classified as available for sale increases and this increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, this loss can also be reversed in the consolidated income statement.

The recoverable amount of held-to-maturity investments and loans and receivables at their amortized cost is calculated as the present value of expected future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is not recognized in profit or loss for the year.

Impairment losses related to "Loans and receivables" recognized at amortized cost are reversed if the subsequent increase in the recoverable amount can be objectively related to an event occurring after the impairment loss was recognized.

d.9) Biological assets

Biological assets are measured both initially and at year end at fair value less estimated costs to sell. Gains or losses arising on initial recognition of a biological asset at fair value less estimated costs to sell caused by subsequent changes in fair value less estimated costs to sell are included in the consolidated income statement of the financial year in which they arise.

d.10) Inventories

Inventories are valued at the lower of acquisition or production cost and net realizable value, generally by applying the following criteria:

- Commercial inventories, raw materials and other consumables: average weighted cost and in certain Group companies purchase costs on a FIFO (first-in, first-out) basis; both criteria are equivalent.

- Finished goods and work in progress: generally at the average cost of raw and other materials consumed and, in certain Group companies, on a FIFO basis. Both valuation criteria are equivalent and include the applicable portion of direct and indirect labor costs and manufacturing overheads.

When determining the value of inventories of finished goods a degree of wastage must be taken into account for products that undergo a curing process.

Net realizable value is the estimated selling price in the ordinary course of the Group's business, less estimated costs of completion and the estimated costs necessary to the make the sale.

The cost of hams which are cured during several months includes the interest costs directly attributable to their production, which can be calculated according to each product's degree of curing. Capitalized interest on inventories at December 31, 2009 and 2008 amounts to 5,116 and 4,393 thousand euros, respectively; the capitalization rate used was 7.75% (2008: 5.75%).

d.11) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less and not exposed to significant changes in value.

In terms of the consolidated cash flow statement, occasional bank overdrafts used as part of the Group's cash management strategy are recognized as a decrease in cash and cash equivalents.

d.12) Capital increase costs

Capital increase costs are recognized in "Capital and reserves" net of any tax effect.

d.13) Treasury shares

Parent shares held by the Group are deducted from equity. No gain or loss is recognized in profit or loss for the year on the purchase, sale or cancellation of the treasury shares. Consideration paid or received is recognized directly in consolidated equity.

d.14) Provisions

Provisions are recognized in the consolidated statement of financial position when the Group has a present obligation (either legal or tacit) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Amounts recognized as provisions are the best estimate of the amounts required to offset the current value of those obligations at the consolidated statement of financial position date.

Provisions are reviewed at the date of each consolidated statement of financial position and adjusted to reflect the current best estimate of the liability.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

d.15) Financial liabilities

Financial liabilities are classified, for measurement, in the following categories: "Trade and other payables," "Financial liabilities held for trading," and "Hedging derivatives."

- Trade and other payables

These are financial liabilities arising from the purchase of goods and services for Group trade transactions, and non-trade payables that are not derivative instruments.

Upon initial recognition in the consolidated statement of financial position, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration received, plus directly attributable transaction costs.

Following initial recognition, these financial liabilities are measured at amortized cost. Accrued interest is recognized in the consolidated income statement using the effective interest rate method.

Nevertheless, trade payables which mature within less than one year with no contractual interest rate and which are expected to be paid in the short term, are carried at their nominal value when the effect of not discounting cash flows is not significant.

- Financial liabilities held for trading

These include derivative instruments that have not been designated as hedging instruments.

Upon initial recognition in the consolidated statement of financial position, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price. Directly attributable transaction costs are recognized in the income statement.

Following initial recognition, financial liabilities held for trading are recognized at fair value without deducting transaction costs relating to the sale of these assets. Changes in fair value are taken to the consolidated income statement.

- Hedging derivatives

These include derivatives classified as hedging instruments.

Financial instruments which have been designated as hedging instruments or hedged items are measured as described in Note d.21.

Contracts that require an entity to repurchase own shares for cash or other financial assets give rise to a financial liability for the present value of the redemption amount. When the financial liability is initially recognized according to IAS 39, its fair value (the present value of the redemption amount) is reclassified as equity. Thereafter, the financial liability is measured according to IAS 39. If the contract expires before the cash is paid, the carrying amount of the financial liability is reversed to equity.

Liabilities maturing in less than 12 months from the date of the consolidated statement of financial position are classified as current, while those with longer maturity periods are classified as non-current.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, canceled or expires.

d.16) Transactions in foreign currency

The Group's functional and presentation currency is the euro, which is likewise the parent's functional currency.

Transactions in currencies other than the euro are initially translated at the spot rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in a currency other than the euro are translated at the spot exchange rate prevailing at the date of the consolidated statement of financial position. Translation differences (gains and losses) due to this process as well as those arising on settlement of these items are recognized in the consolidated income statement for the year in which they arise, except for translation differences for monetary items which fulfill the conditions to be hedging instruments. In this case these are initially recognized in equity (other recognized income and expenses for the year) to the extent that the hedge is effective.

Non-monetary items measured at historical cost are translated at the exchange rate prevailing on the date of the transaction.

Non-monetary items measured at fair value are translated at the exchange rate prevailing when the fair value is determined. When a non-monetary item is recognized directly in equity, any translation differences shall likewise be recognized directly in equity (other recognized income and expenses for the year) and in the consolidated income statement if measured through profit and loss.

d.17) Pensions and other post-employment benefits

The parent and certain Group companies supplement the retirement, orphan and widowhood pensions of certain employees or the beneficiaries of these employees. These commitments are based on individual agreements with employees on an entirely voluntary basis and are not binding for other employees. The Group has estimated accrued actuarial liabilities at December 31, 2009 and 2008, having recorded provisions under "Provisions for liabilities and charges" under liabilities on the consolidated statement of financial position.

The Group is also obliged to pay bonuses to certain employees on the basis of length of service. Liabilities accrued in this regard are included under "Provisions" in the consolidated statement of financial position.

The Group also has post-employment retirement benefit obligations for certain employees in the Netherlands, France and Belgium. The commitments are mainly based on years of service and compensation levels. Some of the commitments in the Netherlands require contributions to independently managed funds. In several countries, the Group must offer early retirement benefit plans and seniority bonuses. The cost of benefits within the framework of defined benefit pension commitments is determined separately for each plan, based on the application of the projected credit unit valuation method. The Group recognizes the difference between the present value of defined benefit obligations and the fair value of plan assets, plus past service costs not yet recognized, in the consolidated statement of financial position. If this difference represents an asset, its value cannot exceed the present value of economic benefits, which can be returned to the Group in the form of direct refunds or a reduction in future contributions, plus, where applicable, the portion of unrecognized past service costs.

All changes in these amounts are recognized in the consolidated income statement, except:

- Actuarial gains and losses, which are recognized directly in consolidated equity (Other comprehensive income) as reserves.

- The amount which cannot be recognized as an asset, since it exceeds the present value of defined benefits that can be returned to the Group in the form of direct refunds or reductions in future contributions, plus the portion of past service costs pending allocation to results, which is recorded directly in reserves.

Past service costs arising upon setting up a new defined benefit plan or improving the benefits of an existing plan are expenses as follows:

- Unvested rights are recognized immediately.

- Vested rights are recognized on a straight-line basis over the average period until the benefits become vested, except in the case of a defined benefit asset, which is recognized immediately.

d.18) Share based payments

The Group has employee remuneration schemes which are based on its quoted share price and involve granting share purchase options. These schemes may be settled in cash or shares, as decided by the recipient; therefore, these are considered compound financial instruments. Nonetheless, since the other party chooses the settlement means, these are structured in such a way that the fair value of the equity component is zero and, therefore, the fair value of the compound financial instrument is the fair value of the debt component. Consequently, this is recognized in the financial statements as a cash-settled share option plan.

In the case of cash-settled share option plans, the total cost of the share option rights is recognized as expense in the consolidated income statement under liabilities over the period the beneficiary vests their right to exercise the share option (vesting period). The total cost of the options is initially determined based on the fair value at the date granted, obtained using statistical valuation models, taking into account the terms and conditions established in each share option plan. At each subsequent closing, the Group revises its fair value estimates as well as the number of options that it expects to be exercisable and, if applicable, adjusts the corresponding liability recognized in the consolidated income statement for the year.

d.19) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, its fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset.

d.20) Income taxes

Corporate income tax in the consolidated income statement includes current and deferred income tax. Income tax expense is recognized in the consolidated income statement except when the tax is directly related to equity, in which case the tax is recognized accordingly in this caption.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities taking the tax rates prevailing at the consolidated statement of financial position date and including any tax adjustments from previous years.

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

The Group recognizes deferred tax liabilities for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group recognizes deferred income tax assets for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, and the carryforward of unused tax credits or losses can be utilized, except:

- where the deferred income tax relating to the deductible temporary difference arises from the initial recognition of an asset or liability a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assts are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the differed income tax asset to be utilized. The Group also reviews unrecognized deferred income tax assets at each statement of financial position date and recognizes them to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the consolidated statement of financial position date.

d.21) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

All derivative instruments are acquired to hedge the Group's risks associated with interest rate and foreign currency fluctuations. However, in accordance with the requirements of IAS 39, some of these instruments may no be eligible for hedge accounting.

Any gains or losses arising from changes in the fair value on derivatives that do not quality for hedge accounting are taken directly to net profit or loss for the year.

The fair value for forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles and to the credit risk spread associated with the counterparty entity. The fair value of interest rate swap contracts is determined by valuation methods such as discounted cash flow using market interest rates adjusted, where applicable, to the credit risk spread associated with the counterparty entity.

A financial derivative is considered a hedge when it:

a) Covers one of the following three types of risk:

   1) Changes in the value of assets and liabilities due to fluctuations in the price, interest rate and/or exchange rate applicable to the position or balance to be hedged ("fair value hedge").

2) Variability in estimated cash flows on financial assets and liabilities, commitments and highly probable forecast transactions ("cash flow hedge").

3) Net investment in foreign operations ("hedge of net investment in foreign operations").

b) Eliminate efficiently any risk inherent to the hedged item or position throughout the duration of the hedge, which implies that at the inception of the contract, the hedging item is highly effective ("prospective effectiveness") and there is sufficient evidence that the hedge will be effective throughout the life of the hedged item or position ("retrospective effectiveness").

c) Is possible to obtain adequate documentation that the financial derivative contract was entered into specifically for hedging purposes, including how the Group planned to obtain and measure an effective hedge in accordance with its risk management policy.

The effectiveness of hedging derivatives is duly documented by the effectiveness testing the Group carries out to verify that the differences arising between the hedged item and the corresponding hedging item as a result of changes in the market prices are considered to be reasonable with respect to the parameters throughout the life of the hedge, and comply with forecasts established at related contract dates.

The Group considers a hedge to be highly effective when at the inception date and throughout the life of the hedge, the changes in cash flows or fair value of the hedged items are fully offset by the changes in cash flows and fair value of the hedging instrument. A hedging relationship is considered highly effective when the actual results of the hedge are within the range of 80% to 125%.

If at any time financial derivatives do not meet the conditions to be considered hedges, they are to be reclassified as trading derivatives.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability;
- cash flow hedges when hedging exposure to variability in cash flows that is neither attributable to a particular risk associated with a recognized asset or liability or a forecast transaction;

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The gain or loss from remeasuring hedging instruments at fair value, as well as the gain or loss on the hedged item attributable to the hedged risk, is recognized immediately in profit or loss even when the hedged item is measured at amortized cost or is an available-for-sale financial asset.

When the hedged item is valued at amortized cost, the carrying amount is adjusted to reflect the gain or loss arising as a result of the hedge, the amount of which is recognized in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the income statement. The changes in the fair value of the hedging instrument are also recognized in the consolidated income statement.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting, or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest rate method is used is amortized to profit or loss. Amortization may begin as soon as an adjustment exists and must begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Cash flow hedges

Cash flow hedges are a hedge of the exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction which could affect the consolidated income statement. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity (other comprehensive income), while the ineffective portion is recognized in profit or loss.

Amounts taken to equity (other comprehensive income) are transferred to the consolidated income statement when the hedge transaction affects profit or loss, such as when hedged financial income or expense is recognized or when a forecast sale or purchase occurs.

Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity (other comprehensive income) are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, the amounts previously recognized in equity are transferred to the consolidated income statement. If a hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to consolidated income statement.

d.22) Recognition of revenues and expenses

Revenues and expenses are recognized at the moment the goods or services represented by them take place, regardless of when actual payment or collection occurs.

Revenue is recognized to the extent that it is probable that the economic benefits related to the transaction will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Interest income

Revenue is recognized as interest accrues.

Dividends

Revenue is recognized when the shareholder's right to receive the payment is established.

d.23) Assets classified as held for sale and discontinued operations

d.23.1 Assets classified as held for sale

Assets or disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction, rather than through continuing use. This condition is considered to be met when the sale is highly probable, the asset is available for immediate sale in its current state and the transaction is expected to take place within 12 months of its classification as held for sale.

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Immediately prior to the initial classification of assets or disposal groups as held for sale, their carrying amount will be measured according to the applicable accounting policies described in these notes.

Once assets are classified as held for sale, they are no longer depreciated.

d.23.2 Discontinued operations

Discontinued operations are those have been disposed of, are available for sale or are classified as held for sale, and represent a separate major line of business or geographical area of operations or are part of a single coordinated disposal plan.

Profit or loss on discontinued operations is presented as a single amount after tax on the face of the consolidated income statement.

d.24) Related parties

The Group regards as related parties its direct and indirect shareholders and associates, as well as its board members and key managers.

d.25) Environmental issues

Expenses relating to decontamination and restoration work in contaminated areas, as well as the elimination of waste and other expenses incurred to comply with environmental protection legislation are expensed in the year to which they relate, unless they correspond to purchases of assets incorporated in equity to be used over an extended period, in which case they are recorded in the corresponding heading under "Property, plant and equipment" and are depreciated using the same criteria described in paragraph *d.5)* above.

e) Changes in consolidation scope

The following changes were made in the consolidation scope in 2009 and 2008:

- Through a takeover merger on December 30, 2008, the parent acquired control of the Spanish entity Groupe Smithfield Holdings, S.L., which transferred all of its assets and liabilities to the Company (Note 7).

- In June 2008, the Company commenced negotiations with a third party to sell its 100% ownership interest in its Russian subsidiary OOO Campomos and its subsidiaries. In 2008, the parent, pursuant to the terms agreed with the buyer, transferred control of and the power to determine the financial and operating policies governing OOO Campomos and its subsidiaries to the buyer (Note 15).

- The Rumanian subsidiary S.C. Camporom Productie, S.R.L. is included in the consolidation scope as of Juanuary 1, 2009.

- On March 2, 2009 the subsidiary Carnes Selectas 2000, S.A.U (Sole Shareholder Company) acquired a 42% ownership interest in the Spanish company Desarrollos Porcinos de Castilla y León, S.L.

3. SEGMENT INFORMATION

The Group is managed according to the following breakdown into operating segments:

- Southern Europe: Includes operating activities managed in Spain and Portugal.

- Northern Europe: Includes operating activities managed primarily in France, Belgium, Holland and Germany.

The Group made this classification based on the following factors:

- Similar economic features of the businesses

- To enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

The Group classified the products producing ordinary income within its operating segments in the following categories:

- short cycle products: Includes processed meat products such as sausage, cooked ham, bacon and other innovative products, all of them based on the Group's guiding principle of *"Health, Flavor and Convenience"*. These products combine a global vision with adaptation to local specificities and customs in the countries where the Group operates. These types of products are included in all of the Group's operating segments.

- Long cycle products: This category includes mainly cured ham, adapted to various local characteristics in Spain, with varieties ranging from white bodega-style cured ham to the excellence of acorn-cured ham including the highly selective Lampriño brand cured hams, as well the excellence of French cured hams.

Group management monitors operating results from operating segments separately for the purpose of making decisions related to resource distribution and the evaluation of profits and performance. The evaluation of operating segments is based on operating profits.

Transactions between segments are measured as per the principles described in Note 2 and are measured on an arms' length basis.

The following tables present the consolidated income statement and the consolidated statement of financial position, and includes information regarding the Group's operating segments for the years ended December 31, 2009 and 2008 (in thousands of euros):

	Continuing operations					Discontinued operations	Total
Year ended December 31, 2009	Southern Europe	Russia (2)	operations	Eliminations	Total	Russia (2)	operations
Revenue							
Sales to external customers	839,429	982,230	23,996	-	1,845,655	-	1,845,655
Inter-segment sales (1)	13,459	3,963	-	(17,473)	-	-	-
	852,888	986,193	23,996	(17,423)	1,845,555	-	1,845,655
Profit (Loss)							
Financial loss	(36,192)	(14,758)	(8,938)	-	(59,888)	-	(59,888)
Depreciation and amortization expense	(30,229)	(25,202)	(1,445)	-	(56,877)	-	(56,877)
Impairment loss	-	-	-	-	-	-	-
Share of profit/(loss) of investments accounted for using the equity method	(19)	-	-	-	(19)	-	(19)
Income tax	5,837	(10,227)	2,096	-	(2,293)	-	(2,293)
Discontinued Operations	-	-	-	-	-	(2,360)	(2,360)
Segment profit/(loss)	26,771	20,417	(30,479)	-	16,709	(2,360)	14,348
Assets	1,073,530	865,718	25,000	-	1,914,248	-	1, ,914,248

	Continuing operations					Discontinued operations	Total
Year ended December 31, 2008 (Restated)	Southern Europe	Northern Europe	Other regions	Eliminations	Total	Russia (2)	operations
Revenue							
Sales to external customers	891,212	-	30,617	-	921,829	33,661	955,490
Inter-segment sales (1)	2,925	-	-	(2,925)	-	-	-
	894,137	-	30,617	(2,925)	921,829	33,661	955,490
Profit (Loss)							
Financial loss	(17,473)	-	(1,250)	-	(18,723)	(3,029)	(21,751)
Depreciation and amortization expense	(26,271)	-	(1,580)	-	(27,851)	-	(27,752)
Impairment loss	(3,000)	-	-	-	(3,000)	-	(3,000)
Share of profit/(loss) of investments accounted for using the equity method	(202)	-	-	-	(202)	-	(202)
Income tax	(12,454)	-	(394)	-	(12,848)	-	(12,848)
Segment profit/(loss)	13,766	-	(357)	-	13,409	(18,589)	5,180
Assets	1,063,874	849,272	26,919	-	1,940,065	-	1,940,065

(1) Inter-segment revenues are eliminated on consolidation.
(2) The consolidated income statement shows only profit (loss) for the period in "Net loss for the period from discontinued operations."

There were no external customers in 2008 and 2009 with which the Group conducted transactions that represented 10% or more of its ordinary income.

Revenues, net book value of Property, plant and equipment and intangible assets related to the National market registered under the "Southern Europe" segment in 2009 amount to 727,315; 274,358 and 6,973 thousand euros, respectively (2008: 780,479; 277,266 and 6,521 thousand euros).

4. EARNINGS PER SHARE

Earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The Group did not carry out any transaction to lead to a difference between basic and diluted earnings per share.

Earnings per share from continuing operations	Euros 2009	Euros 2008
- basic, for profit for the year attributable to ordinary equity holders of the parent	0.161	0.246
- diluted, for profit for the year attributable to ordinary equity holders of the parent	0.161	0.246

The following reflects the profit and share data used in the basic and diluted earnings per share computations:

	Thousands of euros 2009	Thousands of euros 2008
Net profit attributable to ordinary equity holders of the parent from continuing operations	16,325	12,740
Profit (loss) attributable to ordinary equity holders of the parent from discontinued operations	(2,360)	(18,589)
Net profit (loss) attributable to ordinary equity holders of the parent	13,965	(5,849)

	Thousands of shares 2009	Thousands of shares 2008
Weighted average number of ordinary shares for basic earnings per share	101,346	51,833
Effect of dilution:		
Share options	-	-
Redeemable preference shares	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	101,346	51,833

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements which affect in the calculation of earnings per share in 2009.

5. DIVIDENDS PAID AND PROPOSED

The parent's Board of Directors will propose the following appropriation of results for the year ended December 31, 2009:

	Thousands of euros
Proposed appropriation	
Loss for the year	(5,236)
Share premium	6,838
Appropriation to:	
Prior year losses	(5,236)
Goodwill reserve	6,838

The distribution of parent profit for the year ended December 31, 2008 and paid in 2009 was the following:

	Thousands of euros
Proposed appropriation	
Loss for the year	(8,318)
Share premium	4,752
Appropriation to:	
Prior year losses	(8,318)
Goodwill reserve	4,752

In their ordinary general meeting held on June 17, 2008, the shareholders of the parent agreed, inter alia, to pay a net cash dividend of 0.19395383 euros per share which was made effective on July 8, 2008. In addition, the shareholders approved an in-kind dividend in the form of delivery of a total of 1,698,185 own shares, in the proportion of 1 treasury share for every 30 shares owned. This in-kind dividend was charged to the share premium arising from the 13,160,931 euro capital increase and share premium of 86,730,535 euros under the terms of the proposal approved by the parent's Board of Directors on May 7, 2008. This dividend was distributed in kind to shareholders at July 7, 2008 and was made effective on July 16, 2008.

In their extraordinary general meeting held on October 24, 2008, the shareholders agreed, inter alia, to distribute an extraordinary dividend amounting to 47,150,000 euros. This dividend was charged to the share premium arising from the capital increase approved by the shareholders in their general meeting of March 2, 2002, and was applied only to issued outstanding capital at the time of the merger. This dividend was fully paid out on June 30, 2009.

Limitations on the distribution of dividends

The parent is obliged to transfer 10% of profit for the year to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. Unless the balance of the reserve exceeds this amount, it cannot be distributed to shareholders (Note 16).

Once the legal and company by law requirements have been met, dividends may only be distributed against profit for the year or, freely distributable reserves, if the value of equity is not lower than share capital or, would not become lower than share capital as a result of distributing dividends. Accordingly, profit recognized directly in equity cannot be directly or indirectly distributed. Where losses exist from previous years that reduce the parent's equity to below the amount of share capital, profit must be allocated to offset these losses.

In the same way, profit may not be distributed unless the amount of available reserves is at least equal to the amount of development expenses shown on the assets side of the parent's statement of financial position.

In any case, companies are required to set aside a non-distributable reserve equal to the amount of goodwill shown on the assets side of the parent's statement of financial position. The amount of profit designated for this purpose must represent at least 5% of goodwill. If no profits are available or profits should prove to be insufficient, freely distributable reserves must be used for this purpose.

6. PROPERTY, PLANT AND EQUIPMENT

The breakdown of the movement in this heading in 2009 and 2008 is provided in Appendix II, which forms an integral part of this note.

The net value of property, plant and equipment at December 31, 2009 and 2008 corresponding to the fully consolidated companies located outside of Spain is as follows:

	Thousands of euros	
	2009	2008 (Restated)
Cost	353,162	341,427
Accumulated depreciation	(60,041)	(35,836)
Impairment	(3,070)	(3,100)
	290,051	302,491

The net carrying value of plant and equipment held under finance leases included in assets in the accompanying consolidated statement of financial position is the following:

	Thousands of euros	
	2009	2008
Buildings	2,207	7,122
Plant and other PP&E items	76	738
	2,283	7,860

Payments of finance lease liabilities made prior to 2009 amounted to 3,793 thousand euros and in 2009 to 577 thousand euros, leaving pending payments at December 31, 2009 in subsequent years of 2,243 thousand euros. Purchase options amount to 36 thousand euros.

Pending payments by year of maturity in 2009 at their present value are as follows:

	Thousands of euros
2010 (Note 24)	516
2011	426
2012	369
2013	329
2014	298
2015	341
Total (Note 19)	1,763

Finance lease payments made prior to 2008 amounted to 3,257 thousand and in 2008 to 536 thousand euros, leaving an outstanding balance at December 31, 2008 of 2,410 thousand euros. Purchase options amounted to 36 thousand euros.

Pending payments by year of maturity in 2008 at their present value are as follows:

	Thousands of euros
2009 (Note 24)	1,236
2010	242
2011	242
2012	242
2013	242
2014	242
Total (Note 19)	1,210

7. GOODWILL AND BUSINESS COMBINATIONS

Goodwill

The breakdown of movements in goodwill for the cash-generating units or groups of cash-generating units to which it is allocated in 2008 and 2009 is the following:

	Thousand of euros								
	12.31.07	Additions	Translation differences	Business Combinations	Discontinued operations (Note 15)	12.31.08 (Restated)	Additions	Disposals	12.31.09
Portugal	5,168	-	-	23,679	-	28,847	-	-	28,847
Romania	1,708	-	-	-	-	1,708	-	-	1,708
Spain	127,257	1,216	-	140,126	-	268,599	-	-	268,599
Russia	1,296	-	(33)	-	(1,263)	-	-	-	-
France	-	-	-	-	-	-	-	-	-
Belgium	-	-	-	98,463	-	98,463	-	-	98,463
Holland	-	-	-	14,289	-	14,289	-	-	14,289
Germany	-	-	-	7,659	-	7,659	-	-	7,659
	135,429	1,216	(33)	284,216	(1,263)	419,565	-	-	419,565

In June 2008, parent management entered into negotiations with a non-group third party to sell its 100% share in its Russian subsidiary Campomos and its subsidiaries. Consequently, the goodwill from this cash-generating unit was recognized at June 30, 2008 in "Assets classified as held for sale and from discontinued operations" (Note 15).

On December 12, 2008, the parent acquired an additional 30% of the capital of Navidul Extremadura, S.A. Therefore, it holds 77.48% of the company's capital and voting rights. As a result of the transaction, 1,216 thousand euros in goodwill had been recognized.

Impairment testing of goodwill and assets with indefinite useful lives

Parent management assess goodwill and assets with indefinite useful lives for any excess of cost over recoverable amount. This assessment is carried out for each of the cash-generating units to which the goodwill or the assets with indefinite useful lives is allocated. The recoverable amount is the price at which the cash-generating units could be sold to independent parties less any related transaction costs provided fair value can be estimated reliably. When fair value cannot be estimated reliably or there is indication of an impairment loss, the carrying amount of the cash-generating units is compared to the value in use obtained from discounted cash flow analysis.

For all the cash-generating units these calculations are made using cash flow projections for the cash-generating units based on current operating results and business plans covering a five-year period. The pre-tax discount rates applied to cash flow projections in 2009 are about 7.64% (7.5% in 2008). The Group has estimated a constant growth in 2009 not greater than 1% to extrapolate cash flows beyond the five-year period.

According to the judgments and estimates made by the parent management, the expected future cash flows attributable to the cash-generating units or groups of cash-generating units to which goodwill is allocated indicate that the carrying amount of each goodwill allocated at December 31, 2009 and 2008 may be recovered.

The carrying value of goodwill and of assets with indefinite useful lives assigned to each cash-generating unit is as follows:

	Thousands of euros			
	12.31.2009		12.31.2009	
Cash-generating units	Brands with indefinite useful lives	Goodwill	Brands with indefinite useful lives	Goodwill
Portugal	44,054	28,847	44,054	28,847
Romania	-	1,708	-	1,708
Spain	-	268,599	-	268,599
France	118,098	-	118,098	-
Belgium	6,766	98,463	6,766	98,463
Holland	3,873	14,289	3,873	14,289
Germany	-	7,659	-	7,659

Sensitivity analysis of changes in key assumptions

The directors of the parent performed a sensitivity analysis, especially related to the discount and terminal growth rates used, to ensure that any changes in these estimates do not affect the recoverability of the aforementioned values.

- A 1% increase of the discount rate used would lead to a decline in the value in use. However, in no case would that mean the value in use was less than its carrying amount.

- If the growth rate were to decrease by 1%, it would lead to a decline in the value in use as of the first period. However, in no case would that mean the value in use was less than its carrying amount.

Based on the outcome of these analyses, parent management considered that in no case was the carrying amount of the goodwill and the remaining assets of each cash-generating unit identified higher than the amount of the valuation made.

Business combinations

a) Carried out in 2009

No business combinations occurred in 2009.

b) Carried out in 2008

Through a takeover merger on December 30, 2008, the parent acquired control of the Spanish entity Groupe Smithfield Holdings, S.L., which transferred all of its assets and liabilities to the parent. As a result of this merger, the parent acquired all 100% of the shares of the Spanish company, Campofrío Food Group Holding, S.L. (formerly Groupe Smithfield, S.L.).

Groupe Smithfield Holdings, S.L. is a Spanish holding company and the parent entity of an international food group, engaged in the production and sale of meat products mainly in the Belgium, France, Germany, Italy, Portugal and the Netherlands, where it also has industrial facilities. This merger was in response to and based on strategic business criteria, and allowed the parent, as the absorbing company, to establish itself as the parent of a pan-European group and a leading manufacturer of processed meats, with a strong presence in Spain, Belgium, France, Portugal, Holland and Romania.

In conformity with article 96 of Legislative Royal Decree 4/2004, of March 5, which approves the revised text of the Corporation Tax Law, the companies participating in the merger expressly availed themselves of the special tax regime for mergers, spin-offs, contributions of assets and securities swaps established by Chapter VIII, Title VII of said law.

Pursuant to the terms set out in the takeover merger, approved by the shareholders of both companies in general meeting on October 24, 2008, the date on which the parent gained control of the absorbed company was December 30, 2008. As of that date, the parent held the power to determine the financial and operating policies governing the business acquired to obtain economic benefits from its activities.

As a result of the merger, the parent absorbed Groupe Smithfield Holdings, S.L., which was dissolved without liquidation and all its assets and liabilities transferred to the parent. For these purposes, the statement of financial position date of the absorbed company was considered to be December 31, 2008, given the negligible difference between that date and the date the business was acquired.

The 393,858 thousand euro cost of the business combination includes the fair value on the acquisition date of the business of the 49,577,099 new shares issued by the parent and the costs directly attributed to the combination, as per the following breakdown:

	Thousands of euros
Fair value of issued shares	370,837
Costs related to the acquisition	23,021
Total	393,858

To this end, on December 30, 2008, the parent carried out a capital increased of 49,577,099 euros by issuing 49,577,099 new shares with a nominal value of one euro each, comprising 48.5% of its share capital at December 31, 2008. These new shares were attributed to the shareholders of Groupe Smithfield Holdings, S.L. proportionally to their respective equity interest in the company.

The exchange ratio was reviewed by an independent expert appointed by the Mercantile Registry. The fair value of the shares issued by the parent was determined according to their quoted price at the issue date.

The preliminary recognition of this business combination at December 31, 2008 was provisional in nature, given that the acquisition date of the business combination was December 30, 2008, and the provisional fair values that were estimated up to the date of preparation of the consolidated financial statements for 2008 were not significantly different to the net carrying amounts recognized in the consolidated financial statements of the acquired business. In the present year the parent obtained additional information regarding the estimation of the fair value of acquired assets and liabilities, and went on to recognize the definitive amounts of the combination as shown below:

		Thousands of euros		
Assets	Notes	Fair value at the date of acquisition	Carrying amount at 12.31.08	Difference (Note 2)
Property, plant and equipment	Appendix II	277,483	307,496	(30,013)
Other intangible assets	Appendix III	174,602	172,866	1,736
Deferred tax assets		38,696	41,260	(2,564)
Non-current financial assets	Appendix IV	1,879	1,879	-
Non-current assets		492,660	523,501	(30,841)
Inventories		127,658	127,066	592
Trade and other receivables		203,586	222,489	(18,903)
Other current assets		2,230	2,230	-
Cash and cash equivalents		8,066	8,066	-
Current assets		341,540	359,851	(18,311)
Total assets		834.200	883.352	(49.152)
Liabilities				
Interest-bearing loans and borrowings		148,449	148,449	-
Provisions	Appendix VIII	22,967	23,071	(104)
Other non current financial liabilities		3,152	3,152	-
Other non-current liabilities		7,449	4,414	3,035
Deferred tax liabilities		97,210	114,653	(17,443)
Non-current liabilities		279,227	293.739	(14.512)
Interest-bearing loans and borrowings		70,737	70,737	-
Provisions	Appendix VIII	23,783	23,783	-
Payable to associated companies		81	3,116	(3,035)
Trade and other payables		303,559	308.528	(4,969)
Other current liabilities		47,171	47,618	(447)
Current liabilities		445,331	453,782	(8,451)
Total liabilities		724,558	747,521	(22,963)
Carrying amount of the net assets		109,642	135,831	(26,189)
Goodwill arising from the merger		284,216		
Cost and other expenses related to the acquisition		393,858		

The net carrying values of the business acquired before the business combination do not differ significantly from the amounts booked at December 31, 2008.

As a consequence of definitively recognizing the acquired business' assets and liabilities at their fair value, the comparative balances at December 31, 2008 have been restated.

Net cash used in the transaction was as follows:

	Thousands of euros
Cash and cash equivalents acquired	8,066
Cash paid in the business combination	(11,350)
Net cash used	(3,284)

Given that the business was acquired on December 30, 2008, it contributed nothing to 2008 consolidated revenues or profit. Had the acquisition taken place on January 1, 2008, the revenues and profit for the year would have amounted to 1,123,915 thousand euros, and the net loss contributed would have amounted to 21,973 thousand euros.

8. OTHER INTANGIBLE ASSETS

The breakdown of the movement in intangible assets at December 31, 2009 and 2008 is shown in Appendix III, which forms an integral part of this note.

<u>Patents Licenses and Brands</u>

In 2000, the Group entered into a brand license agreement with Oscar Mayer Foods, the terms of which, in compliance with certain conditions, extends to the year 2020 and cover the possibility of carrying out activities throughout Europe. As a result of that agreement, the Group paid a total of 3,618 thousand euros to be booked as an expense over a twenty-year period, the length of the contract.

In addition, as of December 31, 2009, the Group acquired several brand names for 172,789 thousand euros as a result of the business combination in 2008 (Note 7).

The parent has begun assessing the aforementioned brand names on an annual basis for any excess of cost over recoverable amount. At December 31, 2009, the Group carried out impairment testing on these intangible assets with an indefinite useful life (Note 7).

9. NON-CURRENT FINANCIAL ASSETS

The breakdown of the movement in non-current financial assets in 2009 and 2008 is shown in Appendix IV, which forms an integral part of this note.

a) *Other loans*

The breakdown of this heading is shown below and the movement at December 31, 2009 and 2008 in Appendix IV:

	Thousands of euros	
	2009	2008
Non-current loans on disposal of assets	4,340	10,290
Other loans	1,628	1,516
	5,968	11,806

"Non-current loans on disposal of assets" corresponds to the pending receivable balances related to sales of property, plant and equipment made in prior years and bear market interest rates. The most important balance correspond to the non-current receivable from Proinserga de Inversiones, S.A. for the sale made in 2004 of the company Primayor Foods, S.L. The breakdown at December 31, 2009 and 2008 by maturity was the following:

Year	Thousands of euros
Matured	825
Year 2010	590
Year 2011	590
Total	2,005

In 2007, Proinserga de Inversiones, S.A. filed a payments moratorium. No legal ruling had been issued as at the date of preparation of these consolidated financial statements. In 2007, Proinserga de Inversiones, S.A. filed a payments moratorium. No legal ruling had been issued as at the date of preparation of these consolidated financial statements. Based on the estimates of the Group management, this amount is considered fully uncollectible. Accordingly, since year 2007, the total amount was provisioned and the Group classifies the previous amount under non-current assets in the consolidated financial statements. At December 31, 2009, based on agreements reached by the Group, 75% of these assets were ceded to third parties and have been written-off.

"Other loans" relates primarily to 1,439 thousand euros in official non-current loans granted to the French Government Real Estate Fund (December 31, 2008: 1,485 thousand euros). The annual interest rate earned on these loans is 0% they mature on different dates and are all non-current.

10. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

The breakdown of the movement in investments accounted for under the equity method at December 31, 2009 and 2008 are shown in Appendix V, which forms an integral part of this note.

The following table provides a summary of the financial information of these investments at December 31, 2009 and 2008:

	December 31, 2009 Thousands of euros						
	Non-current assets	Current assets	Equity	Profit (loss) for the year	Non-current liabilities	Current liabilities	Ordinary revenues
Navidul Cogeneración, S.A.	36	2,214	201	77	-	2,798	-
Cogeneradora Burgalesa, S.L.	705	1,952	(440)	(15)	672	1,927	8,244
Desarrollos Porcinos Castileón,S.L.	3,967	2,328	2,165	68	3,600	463	2,505

	December 31, 2008 Thousands of euros						
	Non-current assets	Current assets	Equity	Profit (loss) for the year	Non-current liabilities	Current liabilities	Ordinary revenues
Navidul Cogeneración, S.A.	47	2,598	344	(143)	-	2,444	1,135
Cogeneradora Burgalesa, S.L.	335	1,130	(138)	304	-	1,297	12,211

11. INVENTORIES

The breakdown of "Inventories" at December 31 is as follows:

	Thousands of euros	
	2009	2008 Restated
Goods for resale	277	647
Raw materials and other consumables	56,647	65,394
Work in progress	150,599	185,175
Finished goods	70,926	72,173
Prepayments	31	49
Impairment	(4,580)	(4,148)
	273,900	319,290

12. TRADE AND OTHER RECEIVABLES

The breakdown of this heading at December 31 is the following:

	Thousands of euros	
	2009	2008 Restated
Trade receivables	209,181	214,794
Associates (Note 32)	2,030	1,859
Other accounts receivable	23,240	23,143
Tax receivables (Note 28)	26,074	35,155
	260,525	274,951
Impairment	(28,728)	(27,647)
	231,797	247,304

a) Trade receivables

At December 31, 2009 "Trade receives" includes 1,431 thousand euros in bills discounted at banks pending maturity (2,804 thousand euros in 2008).

On October 30, 2009 the parent signed a new non-recourse factoring agreement with BBVA, S.A. (the agent bank) and other finance institutions. This agreement became fully effective on December 1, 2009 and is for a term of five years from that date. The conditions are the same as those for the previous agreement signed on September 30, 2004. Under this agreement the parent transferred receivables amounting to 81,684 thousand euros at December 31, 2009 (126,613 thousand euros at December 31, 2008). In addition, in December 2009, various group companies in France and Belgium signed non-recourse factoring agreements with BNP Paribas, with the total transferred receivables amounting to 19,886 thousand euros. The Group considers that it has substantially transferred the risks and rewards intrinsic to these receivables to the banks and has accordingly proceeded to derecognize them.

b) Other accounts receivable

This caption at December 31, 2009 includes a receivable from insurance companies of 3,693 thousand euros (6,693 thousands euros in December 31,2008). This debt arose out of a claim for damages resulting from an accident that occurred in 2001 in the production center that the Group owned at Rivas (Madrid).

Due to the lack of agreement with the insurance companies that should pay the indemnity for the damage, on June 17, 2002 the Group filed a lawsuit in the Court of First Instance number 4 in Alcobendas (Madrid) to recover the amount owed plus late payment interest. As a result of the aforementioned settlement, in 2007 an agreement was signed with the three insurance companies for material damages under the policies in force at the date of the claim. Subsequently, the insurance companies paid 1,050 thousand euros in addition to the initial claim referred to above. It was likewise agreed that joint action would be filed against the entities deemed liable for causing the accident in order to obtain full reimbursement for damages. An essential point of this agreement was that the Group would have priority with regard to the amounts to be received from the liable entities up to the amount necessary to ensure full recovery of the damages pending payment. At the date of preparation of these consolidated financial statements, the Madrid Court of First Instance No. 47 rejected the Group's initial claim. The Group has filed the corresponding appeal which is currently pending resolution. Nevertheless, In December 2009, the Group received an additional amount of 3,000 thousand euros from one of the insurance companies that signed the 2007 agreement. The failure to comply with the 2007 agreement and the total avoidance of action with respect to the spirit of the agreement on behalf of two of the signing companies has led the Group to take additional legal actions against the directors of the non-complying companies.

The parent's directors, in agreement with the conclusions reached by their legal advisors, consider that there is a minimal risk of non-payment of the aforementioned indemnities.

c) Impairment

The movement in provisions for bad or doubtful debts in 2009 and 2008 was the following:

	Thousands of euros	
	2009	2008
Balances at January 1	27,647	27,235
Allocations made in the year	2,572	879
Transfers	-	(2,096)
Recovery of balances previously provisioned	(831)	(43)
Provisions applied	(660)	(159)
Business combination	-	1,831
Balances at December 31	28,728	27,647

13. OTHER CURRENT FINANCIAL ASSETS

The breakdown of "Other current financial assets" at December 31 is the following:

	Thousands of euros	
	2009	2008
Loans to associates (Note 32)	1,173	1,157
	1,173	1,157

14. CASH AND CASH EQUIVALENTS

The breakdown of this heading at December 31 is the following:

	Thousands of euros	
	2009	2008
Assets acquired under repurchase agreements	59,827	21,970
Bank deposits	68,706	62,992
Cash at banks and in hand	31,626	34,839
	160,159	119,801

At December 31, 2009 and 2008, the balance of "Assets acquired under resale agreements" related to investments made during the year with maturities of less than three months from the contract date and which mature in the following year. The annual interest rate fluctuates between 0.02% and 2.631% (between 2.13% and 2.25% in 2008).

"Bank deposits" includes primarily financial deposits maturing in 2009 in less than three months from the acquisition date. The average annual interest rate in 2009 was 0.77% (2008: 4.90%).

15. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The breakdown of assets classified as held for sale and discontinued operations at December 31 was the following:

	Thousands of euros							
	12.31.07	Additions	Disposals	Transferred to discontinued operations	12.31.08	Additions	Disposals	12.31.09
Property, plant and equipment Cost: Land and buildings	4,196	-	-	(4,196)	-	1,555	-	1,555
	4,196	-	-	(4,196)	-	1,555	-	1,555
Accumulated depreciation Buildings	(2,287)	-	-	2,287	-	-	-	-
	(2,287)	-	-	2,287	-	-	-	-
Available-for-sale financial assets	1,909	-	-	(1,909)	-	1,555	-	1,555
Assets from discontinued operations	-	91,030	(92,939)	1,909	-	-	-	-
	1,909	91,030	(92,939)	-	-	-	-	-

In 2009, the Group reclassified one of the buildings of a subsidiary in Holland (Stegeman CV) under "Available-for-sale assets" after transferring the 1,555 thousand euro net carrying amount of said assets (Note 6), which did not vary significantly from the market value, from "Property, plant and equipment."

In 2007, Group management entered into negotiations to sell a building belonging to OOO Campomos. Likewise, in June 2008, Group management entered into negotiations with a third party to sell the entire ownership interest in its Russian branch OOO Campomos, and subsidiaries, in which the parent held a 100% participation. Accordingly, the corresponding assets and liabilities were classified in "Assets and liabilities classified as held for sale and from discontinued operations."

In 2008, the parent transferred control and the power to determine the financial and operating policies of OOO Campomos to the buyer, in compliance with the related sale agreements. Accordingly, the parent derecognized the aforementioned assets and liabilities at the provisional sales price agreed upon by both parties, which amounted to 6,100 thousand euros. The parent collected the above-mentioned sales price in full at December 31, 2008,

On January 23, 2009, the parent and the buyer reached a final agreement with respect to the abovementioned sales price. Under the terms of this agreement, at December 31, 2008, the loss obtained by the Group from the sale of its branch, OOO Campomos and subsidiaries, amounted to 18,589 thousand euros, and the amount pending repayment to the buyer totaled 3,000 thousand euros (Note 24). The Group paid this amount in 2009.

The income statement for Campomos and subsidiaries for the six-month period ending June 30, 2008 (date at which the Group lost control over the branch), which is included in the consolidated income statement at December 31, 2008, reflects only the amount of loss for the aforementioned six-month period, as follows:

	Thousands of euros 06.30.08
Operating revenues	
Net sales and services	33,661
Increase in inventories of finished goods and work in progress	565
Other operating revenues	234
	34,460
Operating expenses	
Consumption of goods and other external charges	23,344
Employee benefits expense	6,570
Depreciation and amortization	2,256
Changes in trade provisions	494
Other operating expenses	11,490
	44,154
OPERATING LOSSES	(9,694)
Finance income	
Other interest and similar income	26
Exchange gains	550
	576
Finance costs	
Other finance costs	1,422
Exchange losses	2,183
	3,605
NET FINANCE COST	(3,029)
Gain (loss) on disposal of non-current assets	(1)
PROFIT BEFORE TAX	(12,724)
Income taxes	-
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	(12,724)
Profit (loss) on discontinued operations	(5,865)
NET LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS	(18.589)

The main assets and liabilities of Campomos and subsidiaries at June 30, 2008 (date at which the Group lost control over said branch) were:

Assets	Notes	Thousands of euros 06.30.08
Property, plant and equipment	Appendix II	45,082
Goodwill	7	1,263
Deferred tax assets	Appendix III	2,911
Other intangible assets		2
Biological assets		920
Deferred tax assets		4,777
Non-current financial assets		1,882
Non-current assets		56,837
Biological assets		745
Inventories		16,931
Trade and other receivables		28,964
Other current assets		112
Cash and cash equivalents		1,493
Current assets		48,245
ASSETS FROM DISCONTINUED OPERATIONS		105,082
Impairment loss		(12,143)
ASSETS FROM DISCONTINUED OPERATIONS		92,939

Equity and Liabilities	Notes	Thousands of euros 06.30.08
Interest-bearing loans and borrowings		7,168
Deferred tax liabilities		13,425
Non-current liabilities		20,593
Interest-bearing loans and borrowings		44,541
Trade and other payables		11,654
Other current liabilities		3,218
Current liabilities		59,413
LIABILITIES FROM DISCONTINUED OPERATIONS		80,006

The net cash flow statements of Campomos and subsidiaries for the six-month period ended June 30, 2008 (date on which the Group relinquished control of the subsidiary) are the following:

	Thousands of euros 06.30.08
Profit after tax	(18,589)
Depreciation/amortization and impairment of assets	2,256
Other adjustments to reconcile results from the period to operating profit	3,035
Operating profit (loss) before changes in working capital	(13,298)
Changes in working capital	2,669
Cash flows from operating activities	(10,629)
Income tax paid	(96)
Net proceeds from and payments on other financial assets/liabilities	(447)
Net interest received/(paid)	(1,664)
Net cash flows from operating activities	(12,836)
Purchase of fixed assets	(3,302)
Proceeds from sale of property, plant and equipment and available for sale assets	-
Net cash flows used in investing activities	(3,302)
Change in current financial liabilities	6,000
Capital increase	10,000
Net cash flows from financing activities	16,000
	(138)
Net change in cash and cash equivalents	
Cash and cash equivalents at the beginning of the year	1,631
Cash and cash equivalents at year end	1,493
	(138)

The basic and diluted loss per share from discontinued activities, computed as indicated in Note 4, for the six-month period ended June 30, 2008 (date on which the Group relinquished control of the subsidiary) are:

Loss per share from discontinued operations	Thousands of euros 06.30.08
Basic, for loss for the year attributable to ordinary equity holders of the parent	(0.359)
Diluted, for loss for the year attributable to ordinary equity holders of the parent	(0.359)

In 2009 the Group added 3,371 thousand euros to its long-term provision for commitments resulting from prior year disinvestments, recognized as 2,360 thousand euros under "Net Profit (loss) from discontinued operations", net of the tax effect of 1,011 thousand euros, in the consolidated income statement (Note 21).

16. EQUITY

The breakdown of the movement in capital and reserves is shown in the "Consolidated Statement of Changes in Equity" for the years ended December 31, 2009 and 2008.

a) Issued capital

At December 31, 2009 and 2008, share capital consists of 102,220,823 ordinary shares with a par value of one euro each. All shares are subscribed, fully paid and bear the same rights and obligations. All are represented by book entries and are listed on the Madrid and Barcelona stock exchanges.

Share capital increase

At their general meeting held on October 24, 2008, the shareholders approved several resolutions, including a capital increase by issuing 49,577,099 new shares with a nominal value of (1) euro each. The new shares were issued on December 30, 2008 with a share premium of 6.48 euros per share, and delivered to the former shareholders of Groupe Smithfield Holdings, S.L. as a result of the business combination (Note 7).

At their general meeting held on June 24, 2009, the shareholders of the parent resolved to grant the Board of Directors, for a five-year period, the power to increase share capital, up to a maximum nominal amount of 51,110,411 euros.

So authorized, the Board of Directors became empowered to increase the Company's share capital as and when deem appropriate up to the aforementioned limit, without the need for additional shareholder approval and subject to the terms, limits and conditions provided for in article 153.1.b) of the Spanish Companies Act, and in particular the provisions set forth below:

(a) The capital increase could be approved by the Board of Directors in a lump sum or in smaller amounts by issuing ordinary shares with a par value of one (1) euro each, recorded via the book-entry system, and bearing the same rights as the remaining outstanding ordinary shares. The Board was empowered to determine the date as of which the new shares would be entitled to a portion of the Company's profits.

(b) The new shares should be paid in via monetary contributions to capital.

(c) For capital increases authorized via the exercise of these powers with pre-emptive subscription rights, the issue price shall be freely determined by the Board of Directors in reliance upon the power conferred on it to this end at the general meeting, with no limitations other than those set out in article 47.2 of the Spanish Corporation Law. In these instances, the Board may decide whether to allocate unsubscribed shares in application of pre-emptive subscription rights or declare incomplete subscription under the terms of article 161 of the Spanish Corporations Law.

(d) For capital increases authorized via the exercise of these powers suppressing pre-emptive subscription rights, the new share issue price shall be freely determined by the Board of Directors, subject to the limitations and formalities set out in article 159.2 of the Spanish Corporation Law. In these instances, the Board of Directors can declare incomplete subscription, as set out in article 161 of the Spanish Corporation Law.

It was likewise agreed to revoke each and every one of the powers granted to the Company's Board of Directors to increase capital as per articles 153.1 b) and 159.2 of the Spanish Corporation Law, in force at the date of this agreement. By virtue of the adoption of this agreement, the only authorization valid is that granted by this newly-adopted agreement.

In addition, the parent's shareholders at their general meeting held on that date agreed to:

- Delegate to the Board of Directors the power to issue within the next five years, debentures, bonds or any kind of securities or debt instruments (new or in recognition of debt) in one or more issues whenever and for the amount that the Board of Directors considers appropriate. In addition, in the event of such issue and when applicable, the Board will be limited only by the stipulations of articles 282 and 284 of the Spanish Corporation Law when the issue is guaranteed by third parties. As a result of this delegation of powers, the Board of Directors is expressly authorized to agree upon all the terms and conditions of the issue that have not been specifically agreed upon by the shareholders in general meeting, as well as, if necessary, to adopt all the agreements regarding the formation of the bondholders' syndicate, to appoint the trustee and approve the basic rules that will govern the legal relationship between the Company and the holders of the bonds issued. The Board of Directors is likewise granted the authority to guarantee, in the manner it considers appropriate, any issues of securities or financial instruments (new debt or in recognition of debt) which could be agreed with third parties, provided that all or part of the funds obtained are used to finance the Company or any of the subsidiaries.

- The authorization granted the Board of Directors to award share options as part of an incentive plan for the parent's and consolidated group companies' board members and management, consisting of up to 1,300,000 options on shares of the parent, which was officially arranged within the framework of and as part of a long-term incentive plan (Note 34).

Direct or indirect ownership interest equal to 10% or more in the share capital held by corporate investors at December 31, 2008 and 2009 are as follows:

Company	Percentage shareholding
Carbal, S.A. (*)	12.836%
Smithfield Foods, Inc (**)	36.99%
OCM European Principal Opportunities Fund LP (***)	16.641%

(*) 5.704% of this shareholding is held by Carbal S.A. through Bitonce, S.L.

(**) 24.25% of this shareholding is held by SDFS Global Holdings BV, 11.371% through Cold Field Investments, LLC and 1.369% through Smithfield Insurance Co. Ltd.

(***) 16.641% is held by OCM European Principal Opportunities Fund LP through OCM Luxembourg Epof Metas Holdings Sarl.

b) Treasury shares

At the General Shareholders' Meeting of June 24, 2009, the shareholders approved several motions which included authorizing the Company or its subsidiaries to acquire, once Law 3/2009 came into effect, for a maximum period of five years treasury shares representing up to 5% of the share capital at a price no greater than 5% of the share price.

At December 31, 2009, the Group had 905,728 of own equity instruments of the parent, equivalent to 0.89% of share capital. At December 31, 2008, the Group held 829,236 treasury shares, equivalent to 0.81% of share capital.

In 2009, the Company bought and sold treasury shares amounting to 4,474 and 3,840 thousand euros, respectively. In 2008, the Company bought and sold treasury shares amounting to 14,393 and 2,808 thousand euros, respectively.

c) Legal reserve

"Other reserves" under equity attributable to equity holders of the parent at December 31, 2009 and 2008 included a "Legal reserve" of 10,529 thousand euros.

Companies are obliged to transfer 10% of the profit for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital. This reserve is not distributable to shareholders and may only be used to offset a debit balance on the income statement provided no other reserves are available.

d) Share premium and voluntary reserves

At December 31, 2009, the share premium of the parent, which from the individual annual accounts amounted to 424,967 thousand euros (429,719 thousand euros at December 31, 2008).

At December 31, 2009, the parent's voluntary reserves according to the interim financial statements amounted to 38,395 thousand euros (December 31, 2008: 40,962 thousand euros).

At December 31, 2009, except for 65 thousand euros, the share premium and voluntary reserves can be distributed as dividends. (December 31, 2008: 223 thousand euros).

e) Differences arising from converting capital to euros

In 2000 the Group denominated its share capital in euros, To assign the shares the exact par value mentioned previously, capital was reduced by 121 thousand euros, This amount was recorded in restricted reserves under the heading "Differences arising from converting capital to euros" under "Other reserves" in equity attributable to equity holders of the parent.

f) Reserves in consolidated companies

The balance of this heading on the consolidated statement of financial position comprises the adjusted results of subsidiaries, subsequent to the dates of their acquisition up to December 31, 2009 and 2008. The breakdown of "Reserves in consolidated companies" by subsidiary is shown in Appendix VI, which forms an integral part of this note.

g) Translation differences

The breakdown of this heading at December 31 is shown in Appendix VI, which forms an integral part of this note.

h) Minority interests

The breakdown of the movement in "Minority interests" at December 31, 2009 and 2008 is provided in Appendix VII, which forms an integral part of this note.

17. DEBENTURES

The breakdown of debentures issued at December 31 is the following:

	Thousands of euros	
	2009	2008
Non-current debentures	482,888	226,806
Current debentures (accrued interest)	6,760	2,658
	489,648	229,464

On November 2, 2009, the Company issued non-convertible bonds for the nominal value of 500,000 thousand euros. The bonds earn an 8.250% interest rate and mature on October 31, 2016. They are quoted on the Luxembourg stock exchange, and their fair value at December 31, 2009 is 499,330 thousand euros.

As a result of this issue, the Company is required to comply with standard restrictions for these types of transactions in order to assume senior debt above certain limits. It must also stay within the standard limits established for such transactions when granting guaranties, making certain disbursements, paying dividends, disposing of assets, conducting transactions with subsidiaries and effecting changes in the control of shareholders, up to certain levels and with certain exceptions.

The Group used funds obtained during the year to cancel bonds issued on February 20, 2003 with a nominal value of 294,000 thousand dollars. The associated cancellation costs were recognized under "Other finance costs" on the consolidated income statement. During 2008, the interest rate for these bonds fluctuate between 5.41% and 6.34%, depending on their maturity periods. During 2009, and until their cancellation, the aforementioned interest rates were applied, with additional increments of between 0.75% and 3.75%.

As stated in Note 26, the aforementioned issue was canceled in 2009, and was hedged by exchange- and interest-rate hedges. Consequently, these interest and exchange rate swaps are no longer considered hedges, but liabilities held for trading. However, to limit the exposure, as the new financing was arranged in euros, there is no dollar risk, we decided to enter into derivatives whose values were moving in the opposite direction to our CCIRS to ensure that the future dollar positions are set, thus eliminating future impacts from the euro/dollar exchange rate.

At December 31, 2009, accrued interest on the instruments maturing in 2010 amounted to 6,760 thousand euros (2,658 thousand euros at December 31, 2008), included under "Current debentures".

18. NON-CURRENT AND CURRENT INTEREST-BEARING LOANS AND BORROWINGS

The breakdown of this caption at December 31 is as follows:

	Thousands of euros	
	2009	2008
Bank loans and credit facilities	4,771	226,511
Discounted bills payable	1,431	2,804
Interest payable	581	1,109
	6,783	230,424

The classification by maturity is the following:

	At December 31, 2009 Thousands of euros				
	2010	2011	2012	2013	Total
Bank loans and credit facilities	4,771	-	-	-	4,771
Discounted bills payable	1,431	-	-	-	1,431
Interest payable	581	-	-	-	581
	6,783	-	-	-	6,783

	At December 31, 2008 Thousands of euros				
	2009	2010	2011	2013	Total
Bank loans and credit facilities	75,928	25,377	34,298	90,908	226,511
Discounted bills payable	2,804	-	-	-	2,804
Interest payable	1,109	-	-	-	1,109
	79,841	25,377	34,298	90,908	230,424

Annual interest rates applicable to the loan balances drawn down at December 31, 2009 range from 1.95% to 2.31% (3.43% to 8,29 % in 2008).

As a result of the merger described in Note 7, at December 31, 2008, the Group had a multicurrency borrowing facility with a credit limit of 415,000 thousand euros, granted by Citigroup Global Markets Ltd and Royal Bank of Scotland plc, acting as the agent banks, and by a syndication of banks and institutional lenders. The terms and conditions of this facility is as follows:

	Thousands of euros		Amortization period	
Facility	Limit	Amount drawn at 12/31/08	Beginning date	Completion date
Tranche A loan	105,000	55,460	2007	2011
Tranche B loan	235,000	121,174	-	2013
Revolving credit facility (RCF)	(*) 75,000	45,350	-	2013
Total	415,000	221,984		

(*) In January 2009, the Group renegotiated the credit limit on the revolving credit facility to its current 50,000 thousand euros.

The tranche A and B loans and the revolving credit facility have floating interest rates ranging from Euribor + 1.30% to 2.30% for the tranche A loans and the revolving credit facility, and Euribor + 2.25% to 3% for the tranche B loan. These rates are determined based on certain financial indicators (financial leverage ratio). The Group pays a drawable balance commission on the undrawn portion of the revolving credit facility equal to 35% of the Euribor differential.

All the shares of the operating companies of the Campofrío Food Group Holding, S.L. (formerly Groupe Smithfield, S.L.) and subsidiaries were pledged in guarantee of the multicurrency borrowing facility. This facility was also covered by financial guarantees which required that the Group maintained certain cash flow, interest rate hedge, capital expenditure and leveraging ratios. Failure to comply with these conditions entitled the lenders to demand early repayment of the loans.

As a result of the Group's refinancing through the bond issue described in Note 17, on November 2, 2009, the Group canceled this multi-currency borrowing facility.

Furthermore, in October 2009, the parent arranged two long-term credit facilities of 15,000 thousand euros and 55,000 thousand euros which mature on April 30, 2011 and October 19, 2011, respectively. The respective annual interest rate applicable to any balances drawn down are Euribor + 1.75% and Euribor + 2.25%. At December 31, 2009 the credit facilities have not been used.

In addition, at December 31, 2009 the Group had other unused borrowing facilities totaling 162,732 thousand of euros (December 31, 2008: 135,875 thousand euros).

19. OTHER NON-CURRENT FINANCIAL LIABILITIES

The breakdown of this caption at December 31 is as follows:

	Thousands of euros	
	2009	2008
Finance leases (Note 6)	1,763	1,210
Other non current financial liabilities	2,363	1,957
Financial liabilities measured at fair value (Note 26)	68,883	67,312
	73,009	70,479

20. OTHER NON-CURRENT LIABILITIES

The breakdown of "Other non-current liabilities" at December 31 is the following:

	Thousands of euros	
	2009	2008 (Restated)
Non-repayable grants	20,632	18,019
Borrowings from related companies (Note 32)	-	3,035
Other liabilities	608	1,079
	21,240	22,133

"Non-repayable grants" mainly includes non-refundable government grants given by Public Institutions to various Group companies related to specific property, plant and equipment investment projects. The parent's directors consider that all the requirements of the capital grants received are being met.

The breakdown of which at December 31 is the following:

	Thousands of euros	
	2009	2008
Original grants received		
Received at the beginning of the year	69,531	66,176
Received during the year	6,656	553
Cancelled during the year	-	(940)
	76,187	65,789
Less income recognized		
Prior year	(47,691)	(45,044)
During the year	(3,737)	(2,647)
	(51,428)	(47,691)
Removed from the consolidation in prior years	(4,991)	(4,991)
Other	864	1,170
Business combination	-	3,742
	(4,127)	(79)
	20,632	18,019

21. CURRENT AND NON-CURRENT PROVISIONS

The breakdown of the movement in these headings in 2009 and 2008 is shown in Appendix VIII, which forms an integral part of this note:

(i) *Commitments with employees*

The balance of "Commitments with employees" includes the provision corresponding to the parent's and certain Group companies' commitments to supplement the retirement, orphan and widowhood pensions currently received by certain retired employees or their beneficiaries. These commitments are based on individual agreements with employees on an entirely voluntary basis, and are not binding for other employees. The Group has estimated accrued actuarial liabilities at December 31, 2009 and 2008, having recorded provisions under this heading.

In addition, the parent and certain Group companies are obliged to pay bonuses to certain employees on the basis of length of service. Liabilities accrued in this regard are included in this provision.

Additions in the year are due to the long-term incentive plan approved by the Board of Directors on May 14, 2009 which is linked to the achievement of the 2009 and subsequent periods Group's business goals.

(ii) *Non-current financial assets*

"Non-current financial assets" mainly corresponds to the provision recorded for certain investments, equivalent to the proportion of their negative equity, where the shareholders have the positive intention to maintain the investees.

(iii) *Taxes*

"Taxes" corresponds to the provision recognized by the parent and certain subsidiaries to cover the potential liability relating to tax assessments appealed by the Group (Note 28).

(iv) *Other commitments and items*

In 2008, the circumstances which led the Group to set aside the provisions recognized in "Other commitments" and "Other" no longer existed. Consequently, the Company has released the 2,165 thousand euro overprovision previously recognized in the 2008 consolidated income statement.

At December 31, 2008 "Other commitments" includes 2,000 thousand euros in commitments acquired by the Group in connection with disinvestment from investees. In addition, in 2009, an additional provision for 3,371 thousand euros was set aside for this concept (Note 15).

This provision for "Other items" was recognized for obligations assumed by the Group for certain legal proceedings, lawsuits, and pending administrative appeals filed by several public administrations.

(v) *Restructuring*

This provision corresponds primarily to the following obligations acquired by certain Group companies, as a result of the business combination completed in 2008 (Note 7):

- In 2008, employees of the Netherlands were notified that further to the actions taken to implement the Group's restructuring strategies, the Wijhe and Deventer facilities would be restructured and the Gestel facility closed. This measure affected approximately 163 employees. At December 31, 2008, the majority of the initial restructuring was completed; the restructuring commitments as of that date totaled 3,043 thousands euros which are accrued. This amount was provided for at that date. At December 31, 2009, restructuring-related expenses amounting to 2,807 thousand euros were incurred, and have been charged to this provision; outstanding commitments provided for at that date total 235 thousand euros.

- On September 9, 2008, employees in France were notified of the Group's intention to close the Saint-Etienne cooked products manufacturing plant. Under this plan, the Group contemplated staff reduction of approximately 350 employees and the possibility of transferring 250 employees to other cooked products factories in France. The estimated cost of the plan was approximately 17,874 thousands euros . A provision was recognized for this amount at year end 2008. At December 31, 2009, incurred expenses charged to the provision amounted to 10,303 thousand euros. In addition, at December 31, 2009, the costs yet to be incurred for the plan were reestimated and the provision decreased by 1,500 thousand euros. Consequently, outstanding commitments provided for at December 31, 2009 amount to 6,071 thousand euros.

(vi) Pension obligations

The breakdown of "Pension obligations" is as follows:

	Thousands of euros	
	2009	2008
Commitments for defined benefit pension plans	13,970	9,288
Other pension commitments	593	644
Profit-sharing plan	10,176	10,927
	24,739	20,859

a) Commitments for defined benefit pension plans

The Group has pension plan commitments to complete retirement benefit payments for certain employees in the Netherlands, France, Belgium and Italy. These are the result of a business combination taking place in 2008 (Note 7).

At December 31, 2009, the present value of benefit obligations and the fair value of plan assets were as follows:

	Thousands of euros	
	2009	2008
Present value of benefit obligations	49,561	46,554
Fair value of plan assets	35,591	37,266
Commitments for defined benefit pension plans	13,970	9,288

The movement in benefit obligations is as follows;

	Thousands of euros	
	2009	2008
At January 1	46,554	-
Cost of current services	790	-
Interest cost	2,623	-
Plan participants' contributions	80	-
Cost of past services	-	
Actuarial gains/(losses)	1,552	-
Benefits paid	(1,856)	-
Liabilities acquired in business combinations	-	46,554
Deductions	-	-
Settlements	(184)	-
At December 31	49,561	46,554

The movements in the fair value of plan assets are as follows:

	Thousands of euros	
	2009	2008
At January 1	37,266	-
Expected return on plan assets	1,768	-
Actuarial gains/(losses)	(3,950)	-
Employer contributions	2,471	-
Employee contributions	81	-
Benefits paid	(2,045)	-
Business combinations	-	37,266
At December 31	35,591	37,266

The amounts recognized in the income statement were the following:

	Thousands of euros	
	2009	2008
Current service cost	790	-
Interest cost	2,623	-
Expected return on plan assets	(1,768)	-
Amortization of net (gain) loss incl. 58A	127	-
Settlement loss recognized	6	-
Current net year cost	1,778	-

"Current service costs" are included under "Employee benefits expense." "Interest charges" and "Expected return on plan assets" are respectively included as "Finance costs" and "Finance income".

The reconciliation of the movement in the amount recognized in the statement of financial position is as follows:

	Thousands of euros	
	2009	2008
(Provision)/Assets on the statement of financial position at January 1	9,288	-
Current net cost for the period	1,778	-
Amounts recognized in "Other comprehensive income" in the financial year	5,376	-
Contributions made to the plan	(1,473)	-
Benefits paid directly by company	(999)	-
Bussiness combinations	-	9,288
Actuarial gains/(losses)	-	-
(Provision)/Assets on the statement of financial position at December 31	13,970	9,288

The actuarial valuation of the value of benefit obligations was performed by qualified actuaries using the "projected credit unit method." The principal financial and actuarial assumptions used in the valuation are as follows:

	2009	2008
Discount rate	5.46%	5.75%
Wage rate (including inflation)	From 2% to 3.75%(*)	Del 3% al 5.25% (*)
Expected return on plan assets	4.75%	4.40%

(*) Wage rate varies based on the age of the employee and the country.

Social security costs forecast for 2010 amount to 2,183 thousand euros.

At December 31, 2009 the majority of plan assets associated with the aforementioned defined benefit pension plan are related to the plan for certain employees in the Netherlands. The assets were assigned as follows:

	2009	2008
Equity	14.57%	15.20%
Debt securities	82.09%	82.90%
Cash	3.33%	1.90%

The expected rate of return on plan assets for each plan is an average of the long-term expected rates of return by asset category, weighted by the plan's asset allocation.

A 1% variation on the discount rate would have the following effects on the provision for defined benefit plan commitments at December 31, 2009.

	Thousands of euros	
	Increase	Decreases
1% variation	(7,098)	8,417

b) Other pension commitments

The Group participates in two multi-employer defined benefit funds in the Netherlands and also has other pension commitments in Italy.

c) Profit-sharing plan

In accordance with prevailing French legislation, the subsidiaries of the Aoste Group have a profit-sharing plan to which they contribute proportionately according to their profit after tax to a fund to be distributed among the employees. The amounts payable from the plan will be available for distribution among the employees after a five-year period, unless a particular event has occurred affecting the life of an employee. The consolidated amounts deposited with the Group bear higher than market interest, as negotiated with the employees.

22. TRADE AND OTHER PAYABLES

The breakdown of this heading at December 31 is as follows:

	Thousands of euros	
	2009	2008 (Restated)
Public bodies (Note 28)	42,521	40,040
Payable to related companies (Note 32)	1,543	3,152
Trade payables	405,656	414,118
	449,720	457,310

23. OTHER CURRENT LIABILITIES

The breakdown of this heading at December 31 is as follows:

	Thousands of euros	
	2009	2008 (Restated)
Payable to suppliers of property, plant and equipment	13,272	19,491
Wages and salaries payable	37,703	44,042
Other liabilities	4,535	6,035
Borrowings from related companies (Note 32)	3,000	-
Interim dividend payable (Note 5)	-	47,150
	58,510	116,718

24. OTHER CURRENT FINANCIAL LIABILITIES

The breakdown of this heading at December 31 was the following:

	Thousands of euros	
	2009	2008
Other current financial liabilities (Note 15)	-	3,000
Finance leases (Note 6)	516	1,236
Other	-	14
Financial assets measured at fair value (Note 26)	1,589	-
	2,105	4,250

25. RISK MANAGEMENT POLICY

a) Risk management policy

The Group's business activities and transactions expose it to foreign currency, interest rate and other risks, which are managed by head office.

The Group's transactions are exposed to different basic financial risks:

1.- Credit risk

Credit risk exists when a potential loss may arise from the Group's counterparty not meeting its contractual obligations, i.e. the possibility that financial assets will not be recovered at their carrying amount within the established timeframe.

The main financial assets which expose the Group to credit risk are included in "Non-current financial assets" (Note 9), "Trade and other receivables" (Note 12) and other short-term balances at financial institutions classified as "Cash and cash equivalents" (Note 14) in the consolidated statement of financial position.

For the purposes of credit risk management the Group differentiates between financial assets arising from operations and investments.

Operating activities

The amounts reflected in the consolidated statement of financial position net of estimated impairment losses, correspond to the Group's maximum exposure to credit risk. They represent, therefore, the Group's exposure to the possibility of counterparties failing to fulfill their obligations.

The Group's credit risk is not particularly concentrated; its exposure is spread among a large number of counterparties and customers.

See Note 12.C for impairment losses on financial assets recognized in 2009 and 2008.

Investing activities

Balances with financial institutions relate to short-term deposits held at national banks with credit ratings which represent maximum levels of solvency.

The Group's investment policies establish that the Treasury Department can make investments per the following guidelines:

- Investments must be made through highly solvent Spanish and international financial institutions with no less than an A- credit rating according to Standard & Poor's and Fitch's ratings, or the equivalent A3 according to Moody's rating. The Group periodically reviews these institutions' credit ratings and transactions with institutions having less than an A- rating are not renewed. Consequently, investments maturing within less than one month are canceled and those maturing over more than one month are sold in a maximum period of seven days.

- Acceptable investment products include bank deposits, repos, promissory notes issued by highly solvent financial institutions, interest-bearing accounts and other similar financial products. Investment in speculative financial products or those in which the counterparty is not clearly and explicitly identified are expressly prohibited.

- Investments should be diversified to ensure that the risk is not particularly concentrated in any one institution.

- Investments are made in liquid assets with an original maturity of less than three months, or with a repurchase commitment, or on a secondary market which guarantees their immediate convertibility to cash if necessary.

- The parent's policy for delegating powers establishes the parameters for the use of joint and several signatures based on amount.

2.- Market risk

Market risk exists when a potential loss may arise from fluctuations in the fair value or future cash flows of a financial instrument due to changes in market prices.

Cash flow risk

At December 31, 2009, the Group had significant floating rate borrowings in euros indexed to the Euribor rate. These floating rates are revised at least quarterly. At December 31, 2009, the balance drawn down amounted to 4,771 thousand euros. Assuming that the drawn amounts at that date remained unchanged, a 1% increase or decrease in the Euribor rate would imply an annual increase or decrease in finance costs of 47.71 thousand euros.

Fair value risk

There is fair value risk for the interest rates and exchange rates of the derivatives held for trading. These derivatives were part of the cash flow and fair value hedges used to mitigate exposure related to the issue of a private placement in the US (US PP). Due to debt refinancing, and the cancellation of the underlying asset, the derivatives comprising part of the coverage structure have been reclassified as held for trading, and therefore, the changes in fair value of these derivatives affect "Changes in the fair value of financial instruments" on the income statement.

As the new financing was arranged in euros, there is no dollar exchange rate risk, we decided to enter into derivatives whose values were moving in the opposite direction to our CCIRS to ensure that our future dollar positions are set, thus eliminating future impacts from the EUR-USD exchange rate.

At December 31, 2009 the sensitivity analysis of the impact of interest rate changes on the financial instruments arranged to reduce the associated risk was as follows:

Sensitivity analysis: EUR Interest rate				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousands of euros			
	Fair value	Effect		
Derivatives	(65,150)	2,555	7,565	(10,437)
Bond	(245,719)	-	-	-

In addition, the effects described above impact on the consolidated income statement as follows:

Sensitivity analysis: EUR interest rate – Impact on the income statement				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousand of euros			
	Fair value	Efecto		
CCIRS	(48,882)	-	-	-
IRS	(15,088)	1,567	4,666	(6,365)
Collar KIKO	(6,456)	988	2,899	(4,072)
	(70,426)	2,555	7,565	(10,437)

Finally, the sensitivity analysis at December 31, 2008 of a change in the main variables on the bond issued on February 20, 2003, which was canceled in November 2009 (Note 17), as well as the different financial instruments arranged to hedge the related risk, was as follows:

Sensitivity analysis: EUR interest rate				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousand of euros			
	Fair value	Effect		
Derivatives	(70,426)	4,158	7,762	(8,627)

Sensitivity analysis: USD interest rate				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousands of euros			
	Fair value	Effect		
Derivatives	(65,150)	(3,863)	(7,631)	8,021
Bond	(245,719)	3,863	7,631	(8,021)

Sensitivity analysis: Exchange rate			
		% change	
		10%	-10.00%
	Thousands of euros		
	Fair value	Effect	
Derivatives	(65,150)	(22,338)	27,302
Bond	(245,719)	22,338	(27,302)

In addition, the estimated effects at year end 2008 of the abovementioned impacted on the consolidated income statement and equity as follows:

Sensitivity analysis: EUR interest rate – Impact on the income statement				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousands of euros			
	Fair value	Effect		
Bond 3	(101,897)	-	-	-
CCS 3	(18,527)	162	322	(329)
IRS 3	(6,418)	2,060	4,068	(4,280)
IRS Cancellation	201	(1,997)	(3,944)	4,151
KIKO Collar	(3,759)	1,505	2,517	(3,133)

Sensitivity analysis: USD interest rate – Impact on the income statement				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousands of euros			
	Fair value	Effect		
Bond 3	(101,897)	1,877	3,708	(3,897)
CCS 3	(18,527)	(1,877)	(3,708)	3,897
IRS 3	(6,418)	-	-	-
IRS Cancellation	201	-	-	-
KIKO Collar	(3,759)	-	-	-

Sensitivity analysis: Exchange rate – Impact on the income statement			
		% change in EUR	
		10%	-10.00%
	Thousands of euros		
	Fair value	Effect	
Bonds 1, 2 and 4	(143,822)	13,363	(16,333)
CCS 1, 2 and 4	(30,156)	(13,363)	16,333
Bond 3	(101,897)	9,520	(11,635)
CCS 3	(18,527)	(9,520)	11,635

Sensitivity analysis: EUR interest rate – Impact on equity				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousands of euros			
	Fair value	Effect		
CCS 1, 2 and 4	(30,156)	204	406	(414)
IRS 1, 2 and 4	(6,491)	2,225	4,394	(4,623)

Sensitivity analysis: USD interest rate – Impact on equity				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousands of euros			
	Fair value	Effect		
CCS 1, 2 and 3	(30,156)	(2,016)	(3,982)	4,185
IRS 1, 2 and 4	(6,491)	-	-	-

Effective interest rate on borrowings

The effective interest rate of the new borrowings is 8.37%, and the coupon rate of bonds issued is 8.25%.

Exchange rate risk on current transactions.

The Group did not have significant exchange rate risk on current transactions in foreign currencies at December 31, 2009.

3.- Liquidity risk

Liquidity risk is the possibility that the Group will have insufficient funds or lack access to sufficient funds at an acceptable cost to meet its payment obligations at all times. The Group's objective is to maintain sufficient available funds. Group policies establish the minimum liquidity levels required at all times:

- Surplus cash may only be invested in certain types of assets (see credit risk – investing activities above) which guarantee convertibility to cash.
- Surplus cash is invested in short-term investments (one to three months) which guarantee that more than 60% mature within less than one month and/or can be readily converted to cash.
- The Group has renewable borrowing facilities for amounts that ensure its capacity to meet its operating needs as well as to finance short-term investment projects. At year end 2009 the Group had unused borrowing facilities amounting to 232,732 thousand euros (135,875 thounsands of euros:December 31, 2008).

The undiscounted contractual maturity schedules for its financial liabilities at December 31, 2009 were as follows:

	Euros			
	12 months or less	1 to 5 years	More than 5 years	Total
Bond				
Principal	-	-	500,000	500,000
Interest	41,250	165,000	82,500	288,750
Loans and borrowings				
Principal	6,203	-	-	6,203
Interest	626	-	-	626
Finance leases	552	1,883	56	2,491
Derivatives	8,165	61,582	5,050	74,797
Other non-current financial liabilities	-	-	2,363	2,363
Other non-current liabilities	58,510	-	-	58,510
Trade and other payables	449,720	-	-	449,720

The undiscounted contractual maturity schedules for its financial liabilities at December 31, 2008 were as follows:

	Euros			
	12 months or less	1 to 5 years	More than 5 years	Total
Bond				
Principal	-	196,882	14,371	211,252
Interest	14,402	40,912	1,554	56,868
Loans and borrowings				
Principal	33,405	151,634	-	185,039
Interest	13,505	36,886	-	50,391
Finance leases	-	-	-	-
Derivatives	7,842	71,026	4,504	83,372
Other non-current financial liabilities	-	-	1,957	1,957
Other non-current liabilities	116,718	-	-	116,718
Trade and other payables	457,310	-	-	457,310

As these amounts are undiscounted and include future interest, the figures in the above table do not agree with those recognized on the consolidated statement of financial position.

b) Capital management policy

The primary objective of the Group's capital management policy is to safeguard its capacity to continue managing its on-going activities and continue growing through new projects, while maintaining an optimal debt to equity ratio to create value for its owners.

The Group finances growth through:

- Internally generated cash flows from ongoing business activities.

- A financial leverage rate which enables it to rely on the generation of cash flows as well as alternative financing methods which may be used at any time to meet its investment needs.

In this regard, the Group endeavors to maintain moderate indebtedness as its optimum indebtedness level.

26. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's does not generally use financial instruments that expose it to negative market contingencies that could undermine its equity.

Only where the risk warrants, the Group uses derivatives or similar instruments in an attempt to achieve maximum effectiveness in the hedging relationship. It avoids speculative positions in the domestic and international financial markets.

The Group has designated the fair value, cash flow and other similar hedging relationships to which it wishes to apply hedge accounting, having complied with the documentation and other content required under IAS 32 and 39.

The breakdown at December 31, 2009 and 2008 of financial instruments and their fair values is as follows:

a) C.C.I.R.S (Cross currency interest rate swap)

	C.C.I.R.S (Cross Currency Interest Rate Swap)			
Amount payable by the Group at floating rate (thousands of euros)	69,124	73,767	18,433	109,728
Amount receivable by the Group at fixed rate (thousands of dollars)	75,000	80,000	20,000	119,000
Subscription date	01.27.03	01.27.03	01.27.03	01.27.03
Effective start date	02.20.03	02.20.03	02.20.03	02.20.03
Expiry	02.20.10	02.20.13	02.20.15	02.20.13
Fair value at 12/31/09 (thousands of euros)	(*)	(1) (15,448)	(1) (3,928)	(1) (23,095)
Fair value at 12/31/08 (thousands of euros)	(2) (15,143)	(2) (12,456)	(2) (2,557)	(3) (18,527)
Interest rate charged by the Company	5.41%	6.15%	6.34%	6.15%
Interest rate paid by the Company	6 month Euribor + 1.561%	6 month Euribor + 1.75%	6 month Euribor + 1.705%	6 month Euribor + 1.75%

(*) This financial instrument, which amounted to 17,967 thousand euros, was canceled by the parent on November 2, 2009.

b) R.C.C.I.R.S (Reverse cross currency interest rate swap)

	R.C.C.I.R.S (Reverse Cross Currency Interest Rate Swap)		
Payable by the Company at floating rate (thousands of dollars)	80,000	20,000	119,000
Receivable by the Company at fixed rate (thousands of euros)	54,164	13,527	80,487
Subscription date	02.11.2009	02.11.2009	02.11.2009
Effective start date	08.20.09	08.20.09	08.20.09
Expiry date	02.20.13	02.20.15	02.20.13
Fair value at 12/31/2009 (thousands of euros)	(1) (2,283)	(1) (612)	(1) (3,516)
Interest rate charged by the Company	6-month Euribor + 3.46%	6-month Euribor + 2.925%	6-month Euribor + 3.45%
Interest rate paid by the Company	6.15%	6.34%	6.15%

The Group's outstanding derivatives, fair value and maturities at December 31, 2009 and 2008 are as follows:

Situation at 12/31/09	Fair value at 12/31/09	Notional	Outstanding notional principle		
			2010	2013	2015
Cash flow hedges (2)	(46)	4,454	4,454	-	-
Fair value hedges (3)	-	-	-	-	-
Derivatives held for trading (1)					
Swaps	(68,587)	642,980	169,124	436,990	36,866
Reverse swaps	(1,839)	257,906	-	244,379	13,527
TOTAL (Notes 19 y 24)	(70,472)				

Situation at 12/31/08	Fair value at 12/31/08	Notional	Outstanding notional principle			
			2009	2010	2013	2015
Cash flow hedges (2)	(38,809)	369,752	108,428	169,124	73,767	18,433
Fair value hedges (3)	(18,527)	109,728	-	-	109,728	-
Derivatives held for trading (1)	(9,976)	179,728	-	-	179,728	-
TOTAL (Notes 19 y 24)	(67,312)					

(1) Derivatives held for trading

(2) Derivatives in a cash flow hedge

(3) Derivatives in a fair value hedge

The notional amount of derivative contracts entered into relates to the amount at which future settlement of the derivative is made.

The amount recognized under "Total equity" (other recognized income and expense for the period) for the year ended December 31, 2009 corresponding to cash flow hedges and other similar instruments after tax was (691) thousand euros. In 2008, this amount was 1,913 thousand euros.

The expected movements in cash in the coming years arising from the derivatives entered into from December 31, 2009 are the following:

	2010	2011	2012	2013	Subsequent years	Total
Cash flow hedges	(46)	-	-	-	-	(46)
Fair value hedges	-	-	-	-	-	-
Derivatives held for trading	(8,093)	(5,316)	(4,407)	(47,931)	(4,679)	(70,426)
Total	(8,139)	(5,316)	(4,407)	(47,931)	(4,679)	(70,472)

The expected movements in cash in the coming years arising from the derivatives entered into from December 31, 2008 were the following:

	2009	2010	2011	2012	Subsequent years	Total
Cash flow hedges	(2,914)	(17,985)	(1,309)	(1,218)	(15,383)	(38,809)
Fair value hedges	(1,163)	607	78	(252)	(17,797)	(18,527)
Derivatives held for trading	(1,720)	(2,846)	(2,332)	(2,044)	(1,034)	(9,976)
Total	(5,797)	(20,224)	(3,563)	(3,514)	(34,214)	(67,312)

Nature of risks hedged

- Cash flow hedges: Until November 2, 2009, the risk hedged was the variability in cash flows related to the repayment of interest and principal in dollars caused by changes in forward EUR/USD exchange rates (Note 17). The hedging instrument offsets the variability in cash flows. Due to the refinancing arranged in 2009 the cash flow hedge and interest rate risk from the multi-currency borrowing facility were simultaneously discontinued (Note 18). In addition, the risk hedged included foreign currency risk on the EUR/GBP exchange rate associated with the Group trade receivables.

- Fair value hedges: Up to November 2, 2009 the risk hedged was the exposure to variations in the fair value of the dollar-denominated bonds due to the EUR/USD exchange rate and dollar interest rate risks. Due to the refinancing arranged in 2009, the fair value hedge was simultaneously discontinued and therefore these derivatives are classified as financial liabilities held for trading.

The net gains on cash flow hedges, net of tax effect, taken to Group equity amounted to 7,895 thousand euros in 2009 (4,900 thousand euros in 2008).

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's carrying amount of financial instruments included in the statement of financial position at December 31, as compared to fair value, is as follows:

	Thousands of euros			
	Carrying amount		Fair value	
	2009	2008	2009	2008
• Non-current financial assets (Note 9)				
Non-current securities portfolio	5,022	5,874	5,022	5,874
Other loans	5,968	11,806	5,968	11,806
Held-to-maturity investments	770	622	770	622
Provisions	(5,649)	(11,661)	(5,649)	(11,661)
	6,111	6,641	6,111	6,641
• Current financial assets				
Trade and other receivables (Note 12)	231,797	247,182	231,797	247,182
Other financial assets (Note 13)	1,173	1,157	1,173	1,157
Cash and cash equivalents (Note 14)	160,159	119,801	160,159	119,801
	393,129	368,140	393,129	368,140
Total financial assets	399,240	374,781	399,240	374,781

The breakdown of the book value of the group's financial liabilities includes the statement of financial position at December 31, as compared to fair value, is as follows:

	Thousands of euros			
	Carrying amount		Fair value	
	2009	2008	2009	2008
• Non-current financial liabilities				
Bond issues (Note 17)	482,888	226,806	499,330	245,719
Bank borrowings (Note 18)	-	150,583	-	150,583
Other financial liabilities (Note 19)	73,009	70,479	73,009	70,479
	555,897	447,868	572,339	466,781
• Current financial liabilities				
Bond issues (Note 17)	6,760	2,658	6,760	2,658
Bank borrowings (Note 18)	6,783	79,841	6,783	79,841
Trade and other payables (Note 22)	449,720	457,310	449,720	457,310
Other financial liabilities (Note 24)	2,105	4,250	2,105	4,250
	465,368	544,059	465,368	544,059
Total financial liabilities	1,021,265	991,927	1,037,707	1,010,840

The Group used the three following fair value hierarchies, based on the relevance of the variables used, to measure the fair value of its financial instruments:

- Level 1: Unadjusted quoted price for identical assets or liabilities in active markets
- Level 2: Variables which are observably different from the prices quoted in Level 1, either directly (price), or indirectly (derived from the price)
- Level 3: Variables which are not based on observable market data (non-observable variables)

	Thousands of euros			
	Level 1:	Level 2:	Level 3:	Total at 12/31/09
• Financial assets carried at fair value:	-	-	-	-
	-	-	-	-
• Financial liabilities carried at fair value:				
Hedging derivatives	-	46	-	46
Derivatives held for trading	-	70,426	-	70,426
	-	70,472	-	70,472

During 2009, no relevant transfers took place between the fair value hierarchy levels.

The fair value of the bond issue (Note 17) has been calculated based on its quoted value.

Current financial assets and liabilities fair value do not significantly differ from their carrying values.

28. TAX SITUATION

The breakdown of amounts due from public bodies at December 31 is the following:

Current	Thousands of euros 2009	2008 (Restated)
Sundry taxes receivable from the Treasury	1,274	3,937
Recoverable VAT	24,800	31,218
Taxes receivable (Note 12)	26,074	35,155

Deferred tax assets	Thousands of euros 2009	2008 (Restated)
Carryforwards of unused tax credits	28,340	27,747
Deferred income tax asset		
Spanish companies	18,126	10,221
Foreign subsidiaries	19,482	21,246
	65,948	59,214

The breakdown of credit balances with public bodies is the following:

Current	Thousands of euros 2009	2008 (Restated)
Taxes payable to the Treasury	10,376	10,647
Amounts payable to Social Security agencies	23,618	24,797
Other	8,527	4,596
Taxes payable (Note 22)	42,521	40,040
Current tax liabilities	462	5,808

Deferred tax liabilities	Thousands of euros 2009	2008 (Restated)
Deferred tax liability	126,110	122,311

Taxable profits, determined in conformity with prevailing tax legislation, are subject to a 30% tax in 2008 and 2009 of taxable income for companies located in Spain, and a tax that varies from 16% to 34% for foreign subsidiaries. Nevertheless, the resulting taxable income may be reduced by certain allowable deductions.

Campofrlo Food Group, S,A, files taxes under the consolidated tax scheme, as the parent of Group no, 54/97 and Gecalial, S.L.U, Valpro Alimentación, S.A.U., and La Montanera, S.A.U. and Carnes Selectas 2000, S.A.U. Navidul Extremadura, S.A., Campofrlo Food Group Holding, S.L., Aoste Spain, S.L. and Inversiones Desarrollo Alimentación, S.L.

The reconciliation of the income tax expense calculated by multiplying accounting profit by the tax rate applicable in Spain and actual income tax is the following:

	Thousands of euros	
	2009	2008
Pre-tax consolidated profit from continuing operations	19,001	26,257
Pre-tax consolidated profit from discontinued operations	(3,371)	(28,874)
Consolidated profit before taxes	15,630	(2,617)
Income tax expense calculated at the domestic tax rate	4,689	(785)
Permanent differences		
From individual companies	(1,841)	(1,225)
From consolidation adjustments	-	42
Deductions and credits	(1,020)	(1,252)
Adjustments for international tax rates	867	(20)
Adjustments for change in the tax rate	-	-
Other	(1.413)	5,802
Income tax expense	3,304	2,562
Income tax expense from continuing operations	2,293	12,848
Income tax expense from discontinuing operations	(1,011)	(10,286)
	3,304	2,562

The movements in the items comprising "Deferred tax assets and liabilities" in 2008 and 2009 are as follows:

	Thousands of euros			
	2009			
		Changes recognized in		
	Balance at January 1	Consolidated income statement	Equity	Balance at December 31
Deferred tax assets				
• Unused tax loss carryforwards	27,747	593	-	28,340
• Deferred tax assets for deductible temporary differences and unused tax credits	31,467	4,746	1,395	37,608
	59,214	5,339	1,395	65,948
Deferred tax liabilities				
• Deferred tax liabilities for deductible temporary differences	122,311	3,799	-	126,110
	122,311	3,799	-	126,110

	Thousands of euros				
	2008				
		Changes recognized in			
	Balance at January 1	Consolidated income statement	Equity	Business combinations removed from the consolidation scope	Balance at December 31 (Restated)
Deferred tax assets					
• Unused tax loss carryforwards	-	10,184	-	17,563	27,747
• Deferred tax assets for deductible temporary differences and unused tax credits	16,390	(4,635)	(820)	20,532	31,467
	16,390	5,549	(820)	38,095	59,214
Deferred tax liabilities					
• Deferred tax liabilities for deductible temporary differences	28,774	1,696	-	91,841	122,311
	28,774	1,696	-	91,841	122,311

Deferred tax assets for deductible temporary differences and unused tax credits mainly correspond to the difference between tax and net book value of provisions and financial assets.

Deferred tax liabilities mainly correspond to the difference between tax and net book value of Property, plant and equipment and trademarks.

Regarding the deduction for reinvestment of extraordinary income regulated by article 42 of the revised Spanish Corporation Tax Law approved by Legislative Royal Decree 4/2004, dated March 5 (as per the wording of Law 16/2007, July 4, which reforms and adapts accounting regulations contained in mercantile law for the purposes of international harmonization, based on the related EU directive), the Company has not recognized any deduction in 2009.

Deductions for reinvestment in prior years are the following:

- Reinvestment commitments amounting to 3,284 thousand euros, corresponding to divestments carried out prior to 2007, were met through investments made in 2007.

  In addition, in 2007 the Group obtained a deduction for reinvestment of extraordinary income provided for by the aforementioned law for 625 thousand euros on deductible income of 4,310 thousand euros, having fulfilled its reinvestment commitment in 2007.

- Reinvestment commitments amounting to 778 thousand euros, corresponding to divestments carried out in 2006 for which the Company obtained a profit of 371 thousand euros and a deduction for reinvestment of extraordinary income of 74 thousand euros, were met with investments made in 2006.

  Additionally, during 2006, divestments were carried out by the Group for which it obtained a profit of 10,468 thousand euros and a 1,004 thousand euro deduction for reinvestment of extraordinary income provided for by RDL 4/2004 of March 5. The Group met its commitment to reinvest through investments made during 2006 by the Group companies which generated the deductions and belong to tax group 54/97.

- Reinvestment commitments of 691 thousand euros corresponding to divestments carried out in 2005, for which the Group obtained a profit of 520 thousand euros and from which deductions worth 103 thousand euros were made, were met by investment made in 2005, and the Company availed itself of the deduction for reinvestment of extraordinary income.

- In addition, in 2005 the Group met its commitment to reinvest 1,693 thousand euros related to the deferral for reinvestment in preceding years of 1,038 thousand euros related to Omsa Alimentación, S.A.

- Reinvestment commitments amounting to 9,432 thousand euros, corresponding to divestments carried out in 2004 for which the Group obtained a profit of 7,134 thousand euros and a deduction for reinvestment of extraordinary income of 1,427 thousand euros, were met with investments made in 2003 and 2004.

- The 1,792 thousand euros of reinvestment commitments related to divestments made in 2003 for which the Company received a profit of 997 thousand euros, and from which deductions worth 199 thousand euros were made, were met by investments made in 2003, with the Group availing itself of the deduction for reinvestment of extraordinary income provided for by Law 43/1995, of December 27, and the RDL 4/2004 of March 5.

- Divestments made in 2002 for which the Company received a profit of 1,922 thousand euros, and from which deductions worth 327 thousand euros were made, gave rise to investment commitments worth 2,304 thousand euros. These commitments were met by investments made in 2002, and the Group availed itself of the deduction for reinvestment of extraordinary income provided for by Law 43/1995, of December 27.

- Divestments made in 2001 and previous years for which the Company received a profit of 63,170 thousand euros, and from which deductions worth 10,739 thousand euros were made, gave rise to investment commitments worth 76,628 thousand euros. These commitments were met by investments made in 1999, 2000 and 2001, and the Group availed itself of the deduction for reinvestment of income from past years provided for by Law 24/2001, of December 27.

In accordance with current Spanish legislation, taxes cannot be considered definitive until they have been inspected by the tax authorities or the inspection period of four years has elapsed.

In December 2000 the inspection process begun in previous years concerning various tax declarations filed by the Company (Income Tax statements for the years 1991 to 1995, Value Added Tax declarations for the years 1993 and 1994 and Personal Income Tax (IRPF) withholdings for the years 1993 to 1995 all inclusive) was completed. As a result of that inspection several tax assessments were issued, some of which were signed in agreement and others in disagreement.

During 2009, based on new information, the parent decided to recognize an additional provision of 723 thousand euros (Note 21), (4,300 thousands euros in 2008) relating to tax assessments signed in disagreement.

In December 2003 the inspection process begun in previous years concerning various tax declarations filed by the companies belonging to the subgroup headed by Omsa Alimentación, S.A. (Income Tax declarations for the years 1997 to 2000, Value Added Tax declarations for the years 1999 to 2001 and Personal Income Tax (IRPF) withholdings and the withholdings and payments on account on equity investments for the years 1991 to 2001 all inclusive) was completed, All the above are the responsibility of Campofrío Food Group, S.A., except for any part that might be recovered from the guarantee for that purpose provided by the sellers of the shares of Ajino, S,L, acquired in 2003. As a result of this inspection, tax assessments were issued and signed in disagreement which are provided for at December 31, 2009 based on the Company's estimates made on the assumption that these assessments will have to be paid.

In accordance with prevailing Spanish tax legislation, when applicable regulations are applied to determine the tax assessment basis and negative tax results are obtained, losses declared may be carried forward to be offset against profits over a period of fifteen years as of the year in which they arise and applied proportionally as deemed appropriate. Loss carry forwards are offset when the tax declarations are filed and may be verified by the corresponding tax authorities.

Campofrío Group had the following loss carryforwards to be offset against future profits at December 31:

2009	
Available through	Thousands of euros
2016	4,319
2017	6,339
2021	8,224
2022	32,824
2023	35,903
No limit	103,242
	190,851

2008	
Available through	Thousands of euros
2008	7,811
2009	358
2010	358
2011	564
2015	2,130
2016	2,256
2017	799
2023	37,481
No limit	161,472
	213,229

29. NET SALES AND SERVICES

The breakdown of net sales and services in 2009 and 2008 by geographical market is as follows:

	Thousands of euros	
	2009	2008
National market	727,315	780,479
Foreign market	1,118,340	141,350
	1,845,655	921,829

30. PERSONNEL EXPENSES

The breakdown of this heading in 2009 and 2008 is as follows:

	Thousands of euros	
	2009	2008
Wages, salaries, et al,	247,717	117,283
Dismissal indemnities	15,617	2,807
Social security costs	74,091	31,569
Other welfare charges	13,692	3,668
	351,117	155,328

In 2009, the average number of employees of Campofrío Food Group, S.A. and its fully consolidated subsidiaries is 6,058 (5,187 in 2008), the breakdown by professional category is the following:

	Number of employees	
Professional category	2009	2008
Directors, engineers and technical staff	684	569
Administrative staff	335	423
Production staff	4,174	3,252
Sales and distribution staff	3,137	943
	8,331	5,187

At December 31, 2009, the breakdown of Campofrío Group staff by gender was as follows:

	Men	Women	Total
Senior executives	62	11	73
Directors, engineers and technical staff	547	191	738
Administrative staff	216	313	529
Production staff	4,325	2,221	6,446
Sales and distribution staff	719	396	1,116
	5,870	3,131	9,001

At December 31, 2008, the breakdown of Campofrío Group staff by gender was as follows:

	Men	Women	Total
Senior executives	13	1	14
Directors, engineers and technical staff	646	202	848
Administrative staff	224	322	546
Production staff	5,285	2,701	7,986
Sales and distribution staff	800	387	1,187
	6,968	3,613	10,581

31. OPERATING LEASES

The Group has operating leases on certain assets. These leases have an average life of between 1 and 9 years, with no renewal option included in the contracts and in most cases are adjusted in accordance with the annual CPI. There are no restrictions placed on the Group by entering into these leases.

Future minimum operating lease payments at December 31, 2009 and 2008 are the following:

	Thousands of euros	
	2009	2008
Within one year	6,725	6,219
After one year but not more than five years	17,588	8,119
More than five years	6,837	4,294
	31,150	18,632

32. RELATED-PARTY TRANSACTIONS AND BALANCES

Transactions between the parent and its subsidiaries, which are related parties, are part of the companies' ordinary business and object and have been eliminated on consolidation. The breakdown is not disclosed in this note.

Significant shareholders

Transactions carried out in 2009 and 2008 with significant shareholders and other related parties, all on an arms' length basis, and in the ordinary course of the Company´s operations, were the following:

Significant shareholder	Group company	Nature of the relationship	Type of transaction	Thousands of euros 2009	2008
Pedro Ballvé Lantero	Campofrío Food Group, S.A.	Contractual with Telepizza Group	Sale of raw material	487	124
Pedro Ballvé Lantero	Campofrío Food Group, S.A.	Contractual with Telepizza Group	Purchase of goods	-	365
Pedro Ballvé Lantero	Campofrío Portugal, S.A.	Contractual with Telepizza Group	Purchase of goods	-	2
Smithfield Foods, Inc.	Campofrío Food Group, S.A.	Contractual with Smithfield Global Products Inc	Sale of goods	116	-
Smithfield Foods, Inc.	Campofrío Food Group, S.A.	Contractual with Smithfield Global Products Inc	Purchase of goods	34	22
Smithfield Foods, Inc.	Campofrío Food Group, S.A.	Contractual with Smithfield Europe Products	Services received	-	19
Smithfield Foods, Inc.	Campofrío Food Group, S.A.	Contractual with Aoste	Purchase of goods	-	709
Smithfield Foods, Inc.	Campofrío Food Group, S.A.	Contractual with Animex	Purchase of goods	-	9
Smithfield Foods, Inc.	Campofrío Food Group, S.A.	Contractual with Jean Caby	Purchase of goods	-	1.571
Smithfield Foods, Inc.	Campofrío Food Group, S.A.	Contractual with Smithfield Global Products Inc	Servicios prestado	-	21
Smithfield Foods, Inc.	Campofrío Food Group, S.A.	Contractual with Aoste	Sale of goods	-	686
Alfredo Sanfeliz Mezquita	Campofrío Food Group, S.A.	Contractual with Fullstep	Purchase of assets	58	-
Smithfield Foods, Inc.	OOO Campomos	Contractual with Animex	Purchase of goods	-	30
Smithfield Foods, Inc.	SC Tabco	Contractual with Agroalim Distribución, S.R.L.	Purchase of goods	21	9
Smithfield Foods, Inc.	SC Tabco	Contractual with Smithfield Products, SRL	Services received	35	14
Smithfield Foods, Inc.	SC Tabco	Contractual with Animex	Purchase of goods	6	137

Significant shareholder	Group company	Nature of the relationship	Type of transaction	Thousands of euros	
				2009	2008
Smithfield Foods, Inc.	SC Tabco	Contractual with Smithfield Procesare, SRL	Purchase of goods	687	702
Smithfield Foods, Inc.	SC Tabco	Contractual with Frigorifer, S.A.	Services received	52	52
Smithfield Foods, Inc.	SC Tabco	Contractual with Agroalim Distribución, S.R.L.	Sale of godos	34	-
Smithfield Foods, Inc.	SC Tabco	Contractual with Smithfield Products, SRL	Sale of godos	16	-
Luis Serrano Martín	Campofrío Food Group, S.A.	Contractual with Agroibéricos de Raza, S.L.	Sale of rew material	11.502	17.661
Luis Serrano Martín	Campofrío Food Group, S.A.	Contractual with Agroibéricos de Raza, S.L.	Sale of goods	21	34
Luis Serrano Martín	Campofrío Food Group, S.A.	Contractual with Agroibéricos de Raza, S.L.	Services received	1.192	-
Caja de Burgos	Campofrío Food Group, S.A.	Contractual	Services received	68	-
Caja de Burgos	Campofrío Food Group, S.A.	Contractual	Sale of goods	2	3
Pedro Ballvé Lantero	Campofrío Food Group, S.A.	Contractual with Desarrollo Ganadero Español, S.A.	Purchase of goods	1.489	1.903
Luis Serrano Martín	Campofrío Food Group, S.A.	Contractual with Seda Soilubles, S.L.	Sale of goods	-	4
Luis Serrano Martín	Campofrío Food Group, S.A.	Contractual with Seda Soilubles, S.L.	Services received	1	39
Luis Serrano Martín	Campofrío Food Group, S.A.	Contractual with Casa del Arminiño, S.A.	Sale of goods	54	26
Luis Serrano Martín	Campofrío Food Group, S.A.	Contractual with Casa del Arminiño, S.A.	Purchase of Goods	135	-
Luis Serrano Martín	La Montanera, S.A.	Contractual with Agroibéricos de Raza, S.L.	Sale of raw Materials	5.004	7.667
Luis Serrano Martín	La Montanera, S.A.	Contractual with Bañuste Agropecuaria	Sale of raw Materials	818-	1.312
Luis Serrano Martín	Campofrío Food Group, S.A.	Contractual with Leche Pascual Group	Purchase of Goods	37	-
Luis Serrano Martín	Campofrío Food Group, S.A.	Contractual with Leche Pascual Group	Sale of goods	18	-
Luis Serrano Martín	Campofrío Food Group, S.A.	Contractual with Leche Pascual	Services received	43	-
Juan José Guibelalde Iñurritegui	Campofrío Food Group, S.A.	Contractual with AECOC	Services received	54	-
Caja Burgos	Campofrío Food Group, S.A.	Contractual with Centro Regional de Servicios Avanzados	Services received	36	-
Smithfield Foods, Inc.	Groupe Aoste	Contractual with Farmland Foods Inc	Purchase of Goods	118	-
Smithfield Foods, Inc.	Groupe Aoste	Contractual with Smithfield Foods Limited	Services received	70	-
Smithfield Foods, Inc.	Groupe Aoste	Contractual with Smithfield Foods Limited	Servicios prestados	19	-
Smithfield Foods, Inc.	Groupe Aoste	Contractual with Smithfield Foods Limited	Sale of goods	3.552	-
Smithfield Foods, Inc.	Groupe Aoste	Contractual with Smithfield Foods Inc	Services received	464	-

Significant shareholder	Group company	Nature of the relationship	Type of transaction	Thousands of euros 2009	2008
Smithfield Foods, Inc.	Groupe Aoste	Contractual with Smithfield Foods Inc	Servicios prestados	260	-
Smithfield Foods, Inc.	Groupe Aoste	Contractual with Smithfield Global Products	Purchase of Goods	477	-
Smithfield Foods, Inc.	Groupe Aoste	Contractual with Smithfield Global Products	Sales of Services	44	-
Smithfield Foods, Inc.	Groupe Aoste	Contractual with Smithfield Global Products	Sale of godos	72	-
Smithfield Foods, Inc.	Imperial Meat Products	Contractual with Smithfield Food UK	Sale of godos	8.358	-
Smithfield Foods, Inc.	Imperial Meat Products	Contractual with Animex	Purchase of Goods	1.500	-

Associates

Transactions with associates were the following:

	Thousands of euros 2009	2008
Revenues		
Net sales	4	4
Finance revenue	24	60
Other operating revenues	2,070	178
	2,098	242
Expenses		
Operating expenses, external services	7,620	4,567
	7,620	4,567

The breakdown of current and non-current receivables from related parties at December 31 is the following:

	Thousands of euros 2009	2008 (Restated)
Related companies (Trade and other receivables) (Note 12)		
Cogeneradora Burgalesa, S.A.	74	73
Navidul Argentina, S.A.	868	868
Campofrío Brasil LTDA	741	741
Other	273	177
	2,030	1,859
Loans to related companies (Current financial assets)		
Navidul Cogeneración, S.A. (Note 13)	1,173	1,157

The breakdown of payables to related companies at December 31 is as follows:

	Thousands of euros	
	2009	2008 (Restated)
• Other non-current liabilities (Note 20)		
SFDS Global Holdings, B.V.	-	3,000
Other	-	35
	-	3,035
• Trade and other payables (Note 22)		
Cogeneradora Burgalesa, S.A.	303	1,125
Navidul Cogeneración, S.A.	1,010	1,942
Smithfield Foods Inc.	225	-
Other	4	85
	1,543	3,152
• Other current liabilities (Note 23)		
SFDS Global Holdings, B.V.	3,000	-
	3,000	-

As part of one business combination carried out in 2006 by Groupe Smithfield S.L. associated with the "Earn-Out Note" entered into by Campofrío Food Group Holding, S.L. (formerly Groupe Smithfield, S.L.) and SFDS Global Holdings, B.V. on August 7, 2006, in which the former agreed to pay up to a maximum of 6,000 thousand euros if a certain financial objective was attained in the first three years, on September 18, 2008, in view of the results of the business combination described in Note 7 and the difficulties of monitoring the financial objectives proposed, the parties agreed to an advance settlement of 3,000 thousand euros, which would be made effectively paid on January 2, 2010. Accordingly, at December 31, 2009, the amount payable to SFDS Global Holdings, B.V. was recognized as a current liability.

Directors and Senior Management

Members of the Board of Directors and senior managers of the Campofrío Group, as well as the people and companies they represent, were not involved in any extraordinary and/or relevant transactions to the Company in 2009 and 2008.

a) Compensation and other benefits

The parent has adopted the new reporting model of the Annual Corporate Governance Report for listed companies related to the Unified Spanish Corporate Governance Code.

1. Compensation to directors in 2009 and 2008:

The breakdown of remuneration accrued in the Group by members of the parent's Board of Directors at December 31, is as follows:

	Thousands of euros	
	2009	2008
Expense allowance	747	612
Variable remuneration paid to executive directors	46	585
Salaries executive directors	938	1,126
	1,731	2,323

At December 31, 2009 and 2008, the Group had no pension plan or life insurance policies for former or current members of the Board of Directors nor had it given any guarantees on their behalf. In 2009, the Group paid 15 thousand euros in life insurance premiums for Board members of the parent (7 thousand euros in 2008).

The amount of the compensation paid to executive directors includes the amount attributable to the two executive directors of the company during 2008. In December 2008, a 1,115 thousand euro dismissal indemnity was paid to the former Chief Executive Officer. The amount therefore corresponds to an indemnity or non-recurrent payment and accordingly, has not been recognized in the above table, since it would distort the actual volume of compensation paid to directors for the performance of their functions.

On 18 September 2008, as a consequence of the delivery during the third quarter of 2008 of certain metrics at the group, the parent's board approved settlement of the various components of the 2006-2007-2008 medium term management compensation plan; accordingly, a 4,956 thousand euro liability was recognized in connection with the amounts accruing to the plan beneficiaries.

The compensation earned in 2008 by the executive directors with regard to the aforementioned Plan amounts to 2,069 thousand euros. However, 696 thousand euros of that amount has been paid in 2009.

2. Identification of senior management and total compensation paid in 2009 and 2008:

Senior management	
Name	Position
Mr. Robert Sharpe (**)	Chief Executive Officer
Ms. Emmanuelle Bely (**)	SVP, Legal Affaires / General Counsel
Mr. Eric Debarnot (**)	SVP, Business & Customer Development
Ms. Martine Gerow (**)	SVP, Finance and Information Systems
Mr. Dirk Jacxsens (**)	CEO Imperial Meat Products NV, Belgium
Mr. Karl-Heinz Kiesel (**)	SVP, Operations
Mr. Alfredo Sanfeliz	SVP, Legal Affaires / General Counsel
Mr. Frédéric Sebban (**)	SVP, Strategic Sourcing
Mr. Paulo Soares (**)	CEO Industrias de Carnes Nobre, S.A., Portugal
Mr. Fernando Valdés	CEO Campofrío Spain
Ms. Heleen Van Benthem (**)	CEO Stegeman BV, The Netherlands
Mr. Luc Van Gorp (**)	CEO Groupe Aoste, France
Ms. Diana Walther (**)	CEO CFG Deutschland, Germany
Mr. Ovidio Wencz	CEO Tabco – Campofrío, Romania
Ms. Isabel Ropero	Investor Relations Director
Mr. Juan Carlos Peña	Internal Audit Manager
Mr. Javier Arroniz	SVP, General Human Resources
Mr. Jesús de la Viuda Martínez (*)	General Financial Director
Mr. Miguel Ángel Ortega Bernal (*)	Fresh Meat General Managing Director
Mr. Eduardo Miguel Orense (*)	General Human Resources Director

(*) Ceased providing services to the Group during the first half of 2009.

(**) Began providing corporate services in the first half of 2009.

	Thousands of euros	
Compensation	2009	2008
Total compensation paid to senior management	4,109	3,986

At December 31, 2009, there were ten contracts with senior managers providing for compensation if employment was terminated during a defined period (two at December 31, 2008).

On 18 September 2008, as a consequence of the delivery during the third quarter of 2008 of certain metrics at the group, the parent's board approved settlement of the various components of the 2006-2007-2008 medium term management compensation plan; accordingly, a 4,956 thousand euro liability was recognized in connection with the amounts accruing to the plan beneficiaries.

Similarly in relation to aggregate remuneration accrued by senior management, it is hereby noted that the amount disclosed as compensation accrued by senior management in 2008 in connection with this plan is 1,798 thousand euros, even though it corresponds to a three-year period accrued income and although 976 thousand euros of this balance have been paid in 2009. These amounts are included in the detail above.

In addition, in their general meeting held on June 24, 2009, the shareholders of the parent resolved, inter alia, to authorize the Board of Directors to acquire treasury shares and deliver up to 1,300,000 share options under the long-term incentive plan for executive directors and executive management of the parent and consolidated Group companies (Note 34).

b) Other information on the Board of Directors

The Directors of the parent have informed that they hold at December 31, 2009 the following shareholdings in companies whose activity is identical, similar or complementary to the activity which comprises the parent's corporate purpose:

Director	Investee	Shareholding	Position/Function
Pedro Ballvé Lantero	Tele Pizza, S,A,	22.50%	Chairman
Charles Larry Pope	Smithfield Food, Inc	Less than 1%	Chairman and Chief Executive
Luís Serrano Martín	Agroibéricos Deraza, S.L. Casa del Armiño, S.A. Bañuste Agropecuaria, S.A.	Less than 5% Less than 5% Less than 5%	- - -
Richard Jasper Poulson (*)	Smithfield Food, Inc	Less than 1%	Executive Vice Chairman

(*) Submitted his resignation, which was accepted prior to preparing the financial statements.

The Directors have also confirmed the following in respect of positions held and duties performed in companies with identical, similar or complementary activities to those which comprise the activity corresponding to the parent's corporate purpose and in respect of activities performed on their own behalf or on account of third parties that are identical, similar or complementary to that which comprise the parent's corporate purpose:

Director	Company	Position/Function
Juan José Guibelalde Iñurritegui	Jamones Burgaleses, S.A. Navidul Extremadura, S.A.	Chairman Chairman in representation of Campofrío Food Group, S.A.
Mr. Luis Serrano Martín	Grupo Leche Pascual, S.A.	Member of the Board of Directors

The transactions with related parties have been carried out at arm's length.

There are nine directors on the parent's Board of Directors, all of whom are men.

33. COMMITMENTS AND OTHER CONTINGENCIES

a) Guarantees

At December 31, 2009 the Group has extended guarantees to third parties totaling 51,477 thousand euros (45,614 thousand euros in 2008) for various items, the most significant of which are as follows:

- 1,262 thousand euros corresponding to a guarantee extended to the Burgos City Council in relation to certain demolition and construction work to be carried out as a result of the Expropriation Agreement on an old Company factory.

- 2,021 thousand and 4,883 thousand euros, respectively, corresponding to guarantees submitted to the National Inspection Office of the Spanish Treasury for tax assessments related to 1995 and 1993 income tax, respectively which the Company signed in disagreement on December 1, 2000.

- 3,686 thousand euros corresponding to guarantees given in relation to the fulfillment of obligations assumed in various advertising contracts entered into in 2009.

- 1,000 thousand euros corresponding to the guarantee given to the buyer of the shares of Campofrío Montagne Noire, S.A.

- 12,000 thousand euros corresponding to the guarantee given to the buyer of the OOO Campomos shares (Note 15).

- 1,680 thousand euros corresponding to the guarantee given in relation to the application for aid for the project to build the Ólvega plant.

- 6,482 thousand euros corresponding to bank guarantee deposited with the National Tax Inspection Office with regard to tax assessments resulting from an inspection of Grupo Omsa accounts that were signed in disagreement.

- 1,350 thousand euros corresponding to guarantee given by Stegeman CV, to meet assumed pension obligations.

- 4,326 thousand euros corresponding to various guarantees deposited with Portuguese tax authorities by the subsidiary Industrias de Carne Nobre, S.A., in relation to various procedures being carried out currently mainly related with income tax.

- 1,942 thousand euros corresponding to guarantees deposited by several subsidiaries to various European authorities related to monitoring the production, import and export of meat products in the normal course of their activities.

b) Share purchase commitments

On January 7, 2003, the parent signed an agreement with a financial entity and another company whereby it received a call option on all the shares of Jamones Burgaleses S.A. held by the abovementioned companies, to be exercised between the fourth year after the signing of the contract and January 31, 2011. The parent also granted a put option on the same shares to these companies.

c) Other commitments

1.- At December 31, 2009, the Group had 853 thousand euros in firm commitments to purchase plant and equipment, mainly related to new machinery (1,951 thousand of euros: December 31, 2008).

2.- The Group is a party to several agreements by which it may be obliged to pay indemnities to third parties regarding certain matters. The obligations arise mainly from agreements signed by the Group, by which it agreed to pay indemnities to a third party for losses stemming from a breach of covenants and guarantees associated with property rights to assets sold, demands for payment of trade receivables, environmental issues, terms of leases, and certain tax matters.

3.- As a result of the business combination in 2006 of Sara Lee Foods Europe (SLFE) and Jean Caby (Note 8), the Group assumed some of SLFE's declarations, guarantees and agreements associated with those matters.

4.- The companies of the Imperial Meat Products VOF Group, Aoste SNC, SEC SNC, Industrias de Carnes Nobre, S.A. and Campofrío Food Group France Holding SAS are guaranteeing the 500,000 thousand euro bond issue carried out by the parent. The planned maturity date of the bonds is 2016 (Note 17).

d) Contingencies

In 2008, the parent resolved its former conflicts with various Proinserga Group companies. In this regard, the parent reached agreements with these companies as a result of bankruptcy administration procedures, by virtue of which it recognized all receivables for which various Campofrío Group companies had requested recognition.

In addition, Incorporc, S.A., Primayor Foods, S.A., Primayor Elaborados, S.A., Primayor Andalucía, S.A. and Proinserga Inversiones, S.A. withdrew the claims they filed against the parent in the second half of 2008. In return, the parent has pardoned 75% of the receivables from Proinserga Group companies referred to above, which were formerly recognized in the settlement agreement. In addition, the parent assumed several production commitments at facilities of the Proinserga Group and has a share, together with other livestock farmers, in the purchase of productive assets relating to four farms located in the province of Palencia. The disbursement for this investment is not expected to exceed one million euros.

The Directors consider that any unforeseen liabilities at December 31, 2009 arising as a result of the abovementioned guarantees and commitments will not have a significant effect on the annual accounts.

34. SHARE-BASED PAYMENTS

At the General Meeting held on June 24, 2009. the parent's shareholders resolved, inter alia, to authorize the Board of Directors to carry out the derivative acquisition of treasury shares or deliver up to 1,300,000 share options under the long-term incentive plan for executive directors and executive management of the parent and consolidated Group companies.

The terms and conditions of the share option plan are:

- A maximum of 1,300,000 options can be granted under the option plan, i.e. a maximum of 1,300,000 shares, representing 1.27% of the Company's share capital.

- The Board of Directors shall decide what portion of the options shall be awarded when the share plan is implemented and what portion is held in reserve for future incorporations.

- Each option will provide the right to acquire a Company share at an established price: either the cash difference between the exercise price and the value of the shares, or a combination of the two, as decided by the recipient.

- The Option Plan will have an eight-year duration from January 1, 2009.

- Beneficiaries of the option plan may exercise their options as of January 1, 2012 and during the five years until the share option plan expires.

- The exercise price is based on the listed price at the close of business on June 24, 2009, i.e. 6.25 euros per share.

The cost of the plan recognized in the consolidated statement of financial position for the services rendered by the beneficiaries has been recorded as follows:

	2009
Share option plan approved on July 24, 2009	
Balance at January 1	-
Employee benefits expense	666
Provision for share -based payment transactions (Note 21)	666

The number of options and movements of these are as follows:

	Balance at January 1	Options granted	Balance at December 31
Incentive plans	-	1,207,700	1,207,700

At December 31, 2009 the vesting conditions were met for the plan and there were no exercisable options.

The options' fair value is determined at the grant date and each closing date using a binomial valuation model which takes into account the terms and conditions of the plan. The average fair value of the options granted during 2009 was 1.73 euros.

The following are the assumptions used, as well as the results from the valuation of the options as shares at fair value:

	Plan
Dividend yield	2%
Expected volatility	24%
Risk-free interest rate	3.1%
Expected life of option	5.92
Weighted average exercise price	6.25

The expected life of options was estimated taking into account that all options will be exercised on November 30, 2015.

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

35. ENVIRONMENTAL ISSUES

In 2008 and 2009 the Group did not incorporate systems, equipment or installations for significant amounts to protect and improve the environment. The net carrying value of related assets included in the accompanying consolidated statement of financial position at December 31, 2009 amounts to 1,131 thousand euros (1,670 thousand euros in 2008).

The Group also recorded in 2009 approximately 5,283 thousand euros in environmental protection and improvement expenses (2,241 thousand euros in 2008).

The consolidated statement of financial position includes a provision of 359 thousand euros (2008: 0 euros) for environmental issues

36. COMPONENTS OF OTHER COMPREHENSIVE INCOME (EXPENSE)

The breakdown of this heading at December 31, 2009 and 2008 is as follows:

	Thousand euros	
	2009	2008
Cash flow hedges entered into during the period:		
Profit/(loss) for the period	10,230	9,733
Less: Less: Transfer to the income statement	(11,278)	(7,000)
	(1,048)	2,733

37. ADDITIONAL INFORMATION

Audit fees of the Group's consolidated annual accounts and of the individual annual accounts of the companies that comprise the Group in 2009 amounted to 1,150 thousand euros (636 thousand euros in 2008).

In addition, fees paid during the year for other services rendered by the Group's statutory auditor in 2009 amounted to 901 thousand euros (985 thousand euros in 2008).

38. EVENTS AFTER THE REPORTING DATE

At the date of preparation of these consolidated financial statements, no event has occurred after December 31, 2009 which might modify the financial statements or warrant the inclusion of additional disclosures.

39. ADDITIONAL NOTE FOR ENGLISH TRANSLATION

These financial statements are presented on the basis of International Financial Reporting Standards adopted by the European Union (EU-IFRS). Consequently, certain accounting practices applied by the Group may not conform with generally accepted principles in other countries.

CAMPOFRÍO FOOD GROUP, S.A.
Breakdown of Group companies
December 31, 2009 and 2008

Company	Year of incorporation	Duration	Registered address	Principal activity	Percentage ownership Direct 2009	Direct 2008	Indirect 2009	Indirect 2008
Fully consolidated								
La Montanera, S.A.U. (*)	1987	Indefinite	Toledo (Spain)	Iberian pig farm	100.00	100.00	-	-
Campofrío Portugal, S.A. (*)	1996	Indefinite	Mem-Martins (Portugal)	Manufacture, processing and sale of food products.	100.00	100.00	-	-
SC Tabco Campofrío, .S.A. (*)	1991	Indefinite	Tulcea (Romania)	Manufacture, processing and sale of food products.	97.92	97.92	-	-
Tenki International Holding, B.V.	1989	Indefinite	Haarlem (Netherlands)	Holding company	100.00	100.00	-	-
Valpro Alimentación, S.A.U.(*)	1994	Indefinite	Valencia (Spain)	Sale and industrialization of beef, pork and lamb products.	100.00	100,00	-	-
Campofrío Internacional Finance S.A.R.L. (*)	2003	Indefinite	Luxemburg	Holding company	100.00	100,00	-	-
Total Meat Marketing, S.R.L.	2001	Indefinite	Nicolae Balcescu (Romania)	Holding company	100.00	100.00	-	-
Navidul Extremadura, S.A. (*)	1997	Indefinite	Madrid (Spain)	Manufacture of hams and shoulder hams.	77.48	77.48	-	-
Jamones Burgaleses, S.A. (*)	1998	Indefinite	Burgos (Spain)	Processed food manufacturing services.	40.00	40.00	-	-
Degaro, S.R.L Tulcea (*)	2002	Indefinite	Tulcea (Romania)	Livestock raising	-	-	100.00	100.00
SC. Camporom Productie, S.R.L	2006	Indefinite	Bucarest (Romania)	Manufacture, processing and sale of food products.	-	-	100.00	-
Carnes Selectas 2000, S.A.U. (*)	1999	Indefinite	Burgos (Spain)	Operation of a slaughterhouse and production of meat products.	100.00	100,00	-	-
Gecalial, S.L.U.	1984	Indefinite	Madrid (Spain)	Activities related to marketing, sale, manufacture, processing and industrialization of livestock farming and meat products.	100.00	100,00	-	-
Campofrío Food Group Holding, S.L. (*)	2006	Indefinite	Madrid (Spain)	Holding company	100.00	100.00	-	-
Campofrío Food Group Deutschland GMBH	1994	Indefinite	ESSEN (Germany)	Sales of processed meat products.	-	-	100,00	100,00
Campofrío Food Group Belgium BVBA	2006	Indefinite	Lovendegem (Belgium)	Holding company	-	-	100,00	100,00
Imperial Meat Products, VOF	1994	Indefinite	Lovendegem (Belgium)	Sale and production of processed meat products	-	-	100,00	100,00
Imperial Coordination Center BVBA	1998	Indefinite	Lovendegem (Belgium)	Coordination center	-	-	100,00	100,00
Groupe Smithfield Netherlands Holding B.V.	1999	Indefinite	Amsterdam (Netherlands)	Holding company	-	-	100,00	100,00
Campofrío Food Group Netherlands B.V.	1949	Indefinite	JD Hoofddorp (The Netherlands)	Holding company	-	-	100,00	100,00
Stegeman CV	2000	Indefinite	Deventer (The Netherlands)	Sale and production of processed meat products	-	-	100,00	100,00
Inter Food Services, Ltd.	1998	Indefinite	Kings Hill West Malling Kent (United Kingdom)	Dormant	-	-	100,00	100,00

This appendix is an integral part of Note 1 and 2 to the consolidated financial statements and should be read with that note.
(*) Company to be audited by Ernst & Young

CAMPOFRÍO FOOD GROUP, S.A.
Breakdown of Group companies
December 31, 2008 and 2008 and 2009

Company	Year of incorporation	Duration	Registered address	Principal activity	Percentage ownership Direct 2009	Direct 2008	Indirect 2009	Indirect 2008
Campofrío Food Group France Holding, SAS	1998	Indefinite	Priest (France)	Holding company	-	-	100.00	100.00
Aoste Belgique S.p.r.l.	1990	Indefinite	Brussels (Belgium)	Modern distribution sales and wholesale channel	-	-.	100.00	100.00
Aoste Espana S.A.	1989	Indefinite	Santa Perpetua (Spain)	Modern distribution sales and wholesale channel	-	-.	100.00	100.00
Aoste Food Service S.A.S.U.	1984	Indefinite	Priest (France)	Sales to restaurant markets	-	-.	100.00	100.00
Aoste Libre Service Pretranche SNC	1992	Indefinite	Priest (France)	Production of sliced products for a modern distribution channel	-	-.	100.00	100.00
Aoste Management SASU	1995	Indefinite	Priest (France)	Management	-	-	100.00	100.00
Euragral B.V.	1991	Indefinite	Utreda (The Netherlands)	Holding company	-	-	100.00	100.00
Al Ponte Proscutti SRL	1986	Indefinite	Lesignano de Bagni Parma (Italy)	Cured ham and cold cuts production	-	-	100.00	100.00
Aoste Export SNC	1994	Indefinite	Aoste (France)	Exports	-	-	100.00	100.00
Aoste SNC	1992	Indefinite	Aoste (France)	Cured ham production and sales	-	.	100.00	100.00
Aoste Filiale Suisse SARL	2007	Indefinite	Geneva (Switzerland)	Sales of meat products.	-	.	100.00	100.00
Jean Caby SAS	2001	Indefinite	Lanavisisian (France)	Production and sales of pre-cooked and cured products	-	-	100.00	100.00
Dispranor SARL	1992	Indefinite	St André lez Lille (France)	Sale of various meat products to traditional markets / Leasing business	-	-	100.00	100.00
SEC SNC	1996	Indefinite	Priest (France)	Management of cured sausage plant and equipment / Sales through modern distribution channels	-	-	100.00	100.00
JB2C SASU	1994	Indefinite	Yssingeaux (France)	Cured products production and sales	-	-	100.00	100.00
G-SEC GIE	1998	Indefinite	Symphorien sur Coise (France)	Economic interest group	-	-	100.00	100.00
SFD Foods SGPS Sociedade Unipessoal LDA	2002	Indefinite	Rio Maior (Portugal)	Holding company	-	-	100.00	100.00
Industrias de Carnes Nobre S.A.	1962	Indefinite	Lisbon (Portugal)	Meat products production and sales	-	-	100.00	100.00

This appendix is an integral part of Notes 1 and 2 to the consolidated financial statements and should be read with these.
(*) Company to be audited by Ernst & Young.

CAMPOFRÍO FOOD GROUP, S.A.
Breakdown of Group companies
at December 31, 2009 and 2008

Company	Year of incorporation	Duration	Registered address	Principal activity	Percentage ownership			
					Direct		Indirect	
					2009	2008	2009	2008
Consolidated under the equity method								
Navidul Cogeneración, S.A. (*)	1997	Indefinite	Madrid (Spain)	Implementation and operation of equipment and installations for the development of energy-related technologies.	35.00	35.00	-	-
Cogeneradora Burgalesa, S.L.	1996	Indefinite	Burgos (Spain)	Operation of a thermoelectric plant to optimize electricity consumption for industrial and services sector use.	50.00	50.00	-	-
Desarrollos Porcinos de Castilla y León, S.L.	2008	Indefinite	Segovia (Spain)	Pig breeding and fattening	-	-	42.00	-

This appendix is an integral part of Notes 1 and 2 to the consolidated financial statements and should be read with these.
(*) Company to be audited by Ernst & Young.

CAMPOFRÍO FOOD GROUP, S.A.

Breakdowns of movement in property, plant and equipment
for the year ended
December 31, 2009:

(Thousands of euros)

	12/31/2008 (Restated)	Additions	Disposals	Transfers	Additions to consolidation scope	Transfers to available-for-sale assets	Translation differences	12/31/2009
Restated cost								
Land and buildings	343,920	4,129	(779)	2,239	762	(1,555)	(554)	348,162
Plant and machinery	431,806	11,043	(8,246)	17,048	-	-	(425)	451,226
Other installations, tools and furniture	78,490	4,167	(189)	752	-	-	(25)	83,195
Other	26,247	1,313	(796)	262	-	-	(106)	26,920
Assets under Royal Decree 2/85	53	-	-	-	-	-	-	53
Prepayments and work in progress	7,724	22,083	(120)	(19,279)	1,002	-	(56)	11,354
	888,240	42,735	(10,130)	1,022	1,764	(1,555)	(1,166)	920,910
Accumulated revalued depreciation								
Buildings	(47,041)	(11,701)	1,213	(1,415)	-	-	188	(58,756)
Plant andmachinery	(191,759)	(35,436)	5,370	(379)	-	-	198	(222,006)
Other installations, tools and furniture	(47,640)	(4,570)	225	-	-	-	21	(51,964)
Other	(18,890)	(2,188)	436	(81)	-	-	69	(20,654)
Assets under Royal Decree 2/85	(53)	-	-	-	-	-	-	(53)
	(305,383)	(53,895)	7,244	(1,875)	-	-	476	(353,433)
Impairment	(3,100)	-	30	-	-	-	-	(3,070)
	579,757	(11,160)	(2,856)	(853)	1,764	(1,555)	(690)	564,407

This appendix is an integral part of Note 6 to the consolidated financial statements and should be read with that note.

CAMPOFRÍO FOOD GROUP, S.A.

Breakdowns of movement in property, plant and equipment
for the year ended
December 31, 2008:

(Thousands of euros)

	12/31/2007	Business combinations (Note 7)	Additions	Disposals	Transfers	Exclusions from consolidation scope (Note 15)	Other changes (i)	12/31/2008 (Restated)
Restated cost								
Land and buildings	226,044	146,838	1,544	(4)	6,899	(36,056)	(1,345)	343,920
Plant and machinery	301,968	121,250	8,333	(1,132)	24,177	(21,336)	(1,454)	431,806
Other installations, tools and furniture	76,665	-	5,345	(149)	1,278	(4,475)	(174)	78,490
Other	26,706	2,051	1,568	(376)	85	(3,450)	(337)	26,247
Assets under Royal Decree 2/85	53	-	-	-	-	-	-	53
Prepayments and work in progress	6,012	7,344	32,635	(209)	(33,635)	(4,259)	(164)	7,724
	637,448	277,483	49,425	(1,870)	(1,196)	(69,576)	(3,474)	888,240
Accumulated revalued depreciation								
Buildings	(51,584)	-	(4,343)	3	-	8,247	636	(47,041)
Plant andmachinery	(190,875)	-	(15,647)	1,197	136	12,657	773	(191,759)
Other installations, tools and furniture	(45,595)	-	(4,803)	93	-	2,551	114	(47,640)
Other	(20,214)	-	(2,008)	137	-	2,948	247	(18,890)
Assets under Royal Decree 2/85	(53)	-	-	-	-	-	-	(53)
	(308,321)	-	(26,801)	1,430	136	26,403	1,770	(305,383)
Impairment	-	-	(3,100)	-	-	-	-	(3,100)
	329,127	277,483	19,524	(440)	(1,060)	(43,173)	(1,704)	579,757

(i) The amounts shown in this column basically correspond to the effect of translation differences related to the foreign companies.

This appendix is part of Note 6 to the consolidated financial statements; therefore it should be read together with that note.

CAMPOFRÍO FOOD GROUP, S.A.

Breakdown of movements in other intangible assets
for the years ended
December 31, 2009 and 2008.

(Thousands of euros)

	12/31/2007	Business Combination (note 7)	Additions	Disposals	Discontinued operations (Note 15)	Translation differences	12/31/2008 Restated	Additions	Disposals	Transfers	Translation differences	12/31/2009
Cost												
Development expenses	1,012	-	-	-	(1)	-	1,011	-	-	-	-	1,011
Patents and licenses	5,406	172,789	105	66	(2,170)	(8)	176,188	110	-	-	-	176,298
Software	36,360	1,812	781	1,216	(2,491)	(113)	37,565	3,328	(190)	1,206	(30)	41,879
Work in progress	829	-	629	(1,216)	(17)	(22)	203	30	-	(208)	-	25
Lease premiums	226	-	114	(66)	(178)	(4)	92	-	-	-	-	92
Other	1,882	-	-	-	-	(47)	1,835	100	-	-	-	1,935
	45,715	174,601	1,629	-	(4,857)	(194)	216,894	3,568	(190)	998	(30)	221,240
Accumulated amortization												
Development expenses	(626)	-	(159)	-	1	-	(784)	(158)	-	-	-	(942)
Patents and licenses	(1,761)	-	(212)	-	-	(1)	(1,974)	(232)	-	-	-	(2,206)
Software	(30,682)	-	(2,313)	-	1,026	91	(31,878)	(2,557)	191	(145)	30	(34,359)
Other	(1,435)	-	(194)	-	919	22	(688)	(35)	-	-	-	(723)
	(34,504)	-	(2,878)	-	1,946	112	(35,324)	(2,982)	191	(145)	30	(38,230)
	11,211	174,601	(1,249)	-	(2,911)	(82)	181,570	586	1	853	-	183,010

This appendix is an integral part of Note 8 to the consolidated financial statements and should be read together with that note.

CAMPOFRÍO FOOD GROUP, S.A.

Breakdown of movements in other non-current financial assets for the years ended December 31, 2008 and 2009

(Thousands of euros)

	12/31/2007	Business Combination (note 7)	Additions	Disposals	Transfers and other movements	12/31/2008	Additions	Disposals	Transfers and other movements	12/31/2009
Investment held to maturity										
Campoimport, S.L.	87	-	-	-	-	87	-	-	-	87
Toreador, S.L.	19	-	-	-	-	19	-	-	-	19
Grupo Navidul Portugal Lda.	819	-	-	-	-	819	-	-	-	819
Navidul Argentina, S.A.	1,231	-	-	-	-	1,231	-	-	-	1.231
NBF Brasil, Ltda.,	228	-	-	-	-	228	-	-	-	228
Larrabezúa Inmobiliaria , S.L.	4	-	-	-	-	4	-	-	-	4
Corporación Empresarial	631	-	-	-	-	631	-	-	-	631
Sodical, S.A.	300	-	-	-	-	300	-	-	-	300
Roscamimpex	35	-	-	-	-	35	-	-	-	35
Auxiliar de Cobros, S.A.	6	-	-	-	-	6	-	-	-	6
Calidalia, S.A.	40	-	-	-	-	40	-	-	-	40
Back 2 Basic, S.L.	308	-	-	-	-	308	-	-	-	308
Fleury Michon Especialitées d'Europe	198	-	-	-	-	198	-	-	-	198
Navidul Especialidades Europeas, S.A.	194	-	-	-	-	194	-	-	-	194
Other	2,600	59	490	(456)	(919)	1,774	-	(852)	-	922
	6,700	59	490	(456)	(919)	5,874	-	(852)	-	5,022
Other loans	11,014	1,516	-	(243)	(481)	11,806	224	(6,062)	-	5,968
Held-to-maturity investments	293	304	35	(10)	-	622	148	-	-	770
	18,007	1,879	525	(709)	(1,400)	18,302	372	(6,062)	-	11,760
Impairment	(11,661)	-	-	-	-	(11,661)	-	6,012	-	(5,649)
	6,346	1,879	525	(709)	(1,400)	6,641	372	(902)	-	6,111

This appendix is an integral part of Note 9 to the consolidated financial statements and should be read together with that note.

CAMPOFRÍO FOOD GROUP, S.A.

Breakdowns of movement in investments
accounted for under the equity method
for the years ended
December 31, 2008 and 2009

(Thousands of euros)

	Navidul Cogeneración S.A.	Cogeneradora Burgalesa S.L.	Desarrollos Porcinos Castileón, S.L.	Total
Balances at December 31, 2007	(115)	168	-	53
Share in:				
Results	(50)	(152)	-	(202)
Transfer of provisions	165	-	-	165
Balances at December 31, 2008	-	16	-	16
Share in:				
Results	1	-	-	1
Acquisitions	-	-	924	924
Balances at December 31, 2009	1	16	924	941

This appendix is an integral part of Note 10 to the consolidated financial statements and should be read together with that note.

CAMPOFRÍO FOOD GROUP, S.A.

Breakdown of minority interests
and contribution to consolidated results
at December 31, 2008

(Thousands of euros)

Company	Percentage ownership	Capital	Reserves	Total	Translation differences	Benefits (loss) for the year	Share of minority interests in: Capital and reserves	Translation differences	Profit (loss) for the year	Contribution to: Reserves in consolidated companies for continuing operations	Translation differences	Profit (loss)
Fully consolidated												
Valpro Alimentación S.A.U.	100%	12,020	13,122	25,142	-	1,700	-	-	-	4,208	-	1,700
La Montanera, S.A.U.	100%	902	5,742	6,644	-	(626)	-	-	-	1,972	-	(626)
Campofrío Food Group Holding, S.L and subsidiaries	100%	37,503	247,919	285,422	-	-	-	-	-	-	-	-
Campofrío Portugal, S.A.	100%	5,000	(2,329)	2,671	-	(5,385)	-	-	-	(37,604)	-	(5,385)
SC Tabco Campofrío, S.A.	97.92%	12,152	2,502	14,654	(1,000)	871	304	(21)	18	7,689	(1,015)	853
Tenki International Holding B.V.	100%	2,721	(3,478)	(757)	-	(57)	-	-	-	(12,436)	-	(57)
Gecalial, S.L.U.	100%	41,316	(12,558)	28,758	-	597	-	-	-	(1,860)	-	597
Campofrío Internacional Finance S.A.R.L	100%	12	22	34	-	102	-	-	-	22	-	102
Jamones Burgaleses, S.A.	40%	8,665	270	8,935	-	598	5,361	-	359	93	-	239
Navidul Extremadura, S.A.	77.48%	13,626	3,334	16,960	-	556	3,652	-	292	1,484	-	264
Degaro, S.R.L.	100%	1,000	(372)	628	(132)	(330)	-	-	-	(852)	(132)	(330)
Carnes Selectas 2000, S.A.U.	100%	17,841	20,910	38,751	-	1,095	-	-	-	998	-	1,095
Total Meat Marketing, S.L.	100%	100	(404)	(304)	307	(840)	-	-	-	(403)	307	(840)
		152,858	274,680	427,538	(825)	(1,719)	9,317	(21)	669	(36,689)	(840)	(2,388)
Consolidated under the equity method												
Navidul Cogeneración, S.A.	35%	1,923	(1,579)	344	-	(143)	-	-	-	(737)	-	(50)
Cogeneradora Burgalesa, S.L.	50%	30	(166)	(136)	-	(304)	-	-	-	(81)	-	(152)
		1,953	(1,745)	208	-	(447)	-	-	-	(818)	-	(202)
		154,811	272,935	427,746	(825)	(2,166)	9,317	(21)	669	(37,507)	(840)	(2,590)

This appendix is an integral part of Note 16 to the consolidated financial statements and should be read together with that note.

Unaudited

CAMPOFRÍO FOOD GROUP, S.A.

Breakdown of minority interests
and contribution to consolidated results
at December 31, 2009

(Thousands of euros)

							Share of minority interests in:			Contribution to:		
Company	Percentage ownership	Capital	Reserves	Total	Translation differences	Benefits (loss) for the year	Capital and reserves	Translation differences	Profit (loss) for the year	Reserves in consolidated companies for continuing operations	Translation differences	Profit (loss)
Fully Consolidated												
Valpro Alimentación S.A.U. (*)	100%	12,020	14,822	26,842	-	(279)	-	-	-	5,908	-	280
La Montanera, S.A.U.	100%	902	5,116	6,018	-	(525)	-	-	-	1,346	-	(525)
Campofrío Food Group Holding	100%	37,503	221,887	259,390	-	(4,135)	-	-	-	-	-	(4,135)
Campofrío Portugal, S.A.	100%	5,000	(2,714)	-	-	2,365	-	-	-	(42,214)	-	2,365
SC Tabco Campofrío, S.A. (*)	97.92%	12,152	2,373	14,525	(1,726)	141	301	(15)	18	8,542	(1,711)	138
Tenki International Holding B.V. (*)	100%	2,721	(3,535)	(814)	-	(32)	-	-	-	(12,493)	-	(32)
Gecalial, S.L.U. (*)	100%	41,316	(11,961)	29,355	-	(354)	-	-	-	(1,263)	-	354
Campofrío Internacional Finance S.A.R.L (*)	100%	12	124	136	-	227	-	-	-	124	-	227
Jamones Burgaleses, S.A.	40%	8,665	325	8,990	-	540	5,401	-	308	120	-	216
Navidul Extremadura, S.A.	77.48%	13,626	3,890	17,516	-	251	3,944	-	57	1,748	-	194
Degaro, S.R.L. (*)	100%	1,000	(834)	166	(227)	(754)	-	-	-	(1,182)	(227)	(754)
Carnes Selectas 2000, S.A.U.	100%	17,841	22,005	39,846	-	1,039	-	-	-	2,093	-	1,039
Total Meat Marketing, S.L. (*)	100%	100	(937)	(837)	471	(510)	-	-	-	(1,243)	471	(510)
Camporom Productie, S.R.L. (*)	100%	811	(39)	772	-	(3)	-	-	-	-	-	(3)
Industrias de Carnes Nobre (*)	100%	9,375	78,835	88,210	-	5,208	-	-	-	-	-	5,208
CFG PortugalSGPS (*)	100%	50	(51,589)	(51,539)	-	(11)	-	-	-	-	-	(11)
Groupe Aoste	100%	243,680	(59,003)	184,677	7	42,380	-	-	-	-	7	(4,547)
Imperial Meats Product Group	100%	37,900	(35,036)	2,864	40	12,548	-	-	-	-	40	12,548
CFG Belgium Foods BVBA	100%	111,019	(16,456)	94,563	-	2,576	-	-	-	-	-	2,576
Stegeman CV	100%	926	30,180	31,106	-	1,266	-	-	-	-	-	1,266
CFG Netherlands Holding	100%	20	(5,678)	(5,658)	-	(2,617)	-	-	-	-	-	(2,617)
CFG Netherlands BV	100%	113	178,042	178,155	-	(63)	-	-	-	-	-	(63)
CFG Deutschland (*)	100%	511	1,862	2,373	-	855	-	-	-	-	-	855
Euragral BV	100%	1,497	7,871	9,368	-	182	-	-	-	-	-	182
		558,759	379,550	936,023	(1,435)	150,052	9,646	(15)	383	(38,514)	(1,420)	14,251
Consolidated under the equity method												
Navidul Cogeneración, S.A.	35%	1,923	(1,722)	201	-	77	-	-	-	(787)	-	27
Cogeneradora Burgalesa, S.L. (*)	50%	30	(470)	(440)	-	(15)	-	-	-	(233)	-	(7)
Desarrollos Porcinos de Castilla y Leon (*)	47%	2,200	(35)	2,165	-	68	-	-	-	-	-	-
		4,153	(2,227)	1,926	-	130	-	-	-	-	-	20
		562,912	377,323	937,949	(1,435)	159,183	9,646	(15)	383	(39,534)	(1,420)	14,271

This appendix is an integral part of Note 16 to the consolidated financial statements and should be read together with that note.

(*) Unaudited

CAMPOFRÍO FOOD GROUP, S.A.
AND SUBSIDIARIES

Movement in minority interests
for the years ended
December 31, 2009 and 2008

(Thousands of euros)

	Navidul Extremadura S.A.	Jamones Buragleses S.A.	SC Tabco Campofrio S.A.	Total
Balances at 12/31/2007	8,908	5,654	316	14,878
Share in				
Results	292	359	18	669
Translation differences	-	-	(33)	(33)
Other movements	-	(293)	-	(293)
Acquisition of minority interests	(5,256)	-	-	(5,256)
Balances at 12/31/2008	3,944	5,720	301	9,965
Share in				
Results	57	308	18	383
Translation differences	-	-	(15)	(15)
Other movements	-	(319)	-	(319)
Acquisition of minority interests	-	-	-	-
Balances at 12/31/2009	4,001	5,709	304	10, 014

This appendix is an integral part of Note 16 to the consolidated financial statements and should be read together with that note.

CAMPOFRÍO FOOD GROUP, S.A.
AND SUBSIDIARIES

Breakdowns of movement in Non-current and
current provisions
at December 31, 2009 and 2008

(Thousands of euros)

	12/31/2007	Business Combination (note 7)	Additions	Disposals	Transfers	12/31/2008	Additions	Disposals	Transfers	12/31/2009
Non-current										
Commitments with employees	1,329	-	-	(108)	-	1,221	4,191	(32)	-	5,380
Pension obligations		20,859	-	-	-	20,859	12,577	(8,697)	-	24,739
Non-current financial assets	328	-	-	(325)	165	168	-	-	20	188
Taxes	8,136	1,779	4,300	-	-	14,215	793	-	(250)	14,758
Commitment for sale of fixed assets	19	-	-	-	-	19	-	-	-	19
Other commitments	1,252	-	2,000	(1,252)	-	2,000	3,371	(887)	-	4,484
Other	2,512	329	-	(2,312)	-	529	809		(260)	1,078
Provision for share-based payment transactions (Note 34)	-	-	-	-	-	-	666	-	-	666
	13,576	22,967	6,300	(3,997)	165	39,011	22,407	(9,616)	(490)	51,312
Current										
Other	143	2,806	69	(96)	-	2,922	1,483	(709)	(872)	2,824
Reestucturing		20,977	-	-	-	20,977	630	(13,604)	(1,509)	6,494
	143	23,783	69	(96)	165	23,899	2,113	(14,313)	(2,381)	9,318

This appendix is an integral part of Note 21 to the consolidated financial statements and should be read together with that note.

CAMPOFRÍO FOOD GROUP, S.A.
AND SUBSIDIARIES

2009 Consolidated Management Report

CAMPOFRÍO FOOD GROUP, S.A. AND SUBSIDIARIES

2009 Consolidated Management Report

In accordance with the provisions of article 171 of Spanish Corporation Law, as amended, the most relevant facts related to business activity for Campofrío Food Group, S.A. and subsidiaries (the Campofrío Group) for 2009 are indicated below.

This Consolidated Management Report complements the economic and financial information provided by the Group, which is expanded on in the Notes to the Consolidated Financial Statements.

In addition to this report, the annual report is published prior to holding the General Shareholders Meeting to approve the consolidated financial statements for 2009. This report describes the key events in the development of the Group during the year and presents a summary of the financial information compared to previous years.

Following the guidelines of the Unified Code of Good Corporate Governance, the Financial System Reform Law, and the Freedom of Information Law, Campofrío will post its annual report on its Web page at www.campofriofoodgroup.es as it has done in past years, thereby meeting the aims of transparency and dissemination recommended by those three documents.

1. Business performance and operations of Campofrío Food Group, S.A. and subsidiaries

Campofrío Food Group billed 1,845.7 million euros in 2009.

Consolidated profit attributable to the parent totaled 13.9 million euros. This figure reflects the impacts of both refinancing and the restructuring plan implemented by the Group, as well as profit from discontinued operations resulting from the sale of our Russian subsidiary in 2008. These achievements represent the complete success of the merger with the Smithfield Group in 2008.

Campofrío Food Group's profit for 2008 does not include the profit generated by the merger with the Smithfield Holdings, since the merger took effect on December 30, 2008.

In 2009, the Company successfully refinanced its debt, strengthening its position and driving it closer to achieving its various goals.

2. Events subsequent to December 31, 2009

No significant events have occurred subsequent to December 31, 2009.

3. Number of employees

In 2009, the average number of employees of Campofrío Food Group, S.A. and its fully consolidated subsidiaries is 6,058 (5,187 in 2008), the breakdown by professional category is the following:

Professional category	Number of employees	
	2009	2008
Directors, engineers and technical staff	684	569
Administrative staff	335	423
Production staff	4,174	3,252
Sales and distribution staff	3,137	943
	8,331	5,187

At December 31, 2009, the breakdown of Campofrío Group staff by gender was as follows:

	Men	Women	Total
Senior executives	62	11	73
Directors, engineers and technical staff	547	191	738
Administrative staff	216	313	529
Production staff	4,325	2,221	6,446
Sales and distribution staff	719	396	1,116
	5,870	3,131	9,001

At December 31, 2008, the breakdown of Campofrío Group staff by gender was as follows:

	Men	Women	Total
Senior executives	13	1	14
Directors, engineers and technical staff	646	202	848
Administrative staff	224	322	546
Production staff	5,285	2,701	7,986
Sales and distribution staff	800	387	1,187
	6,968	3,613	10,581

4. Research and developments activities

In spite of the overall status of the country Economy, Campofrio Group has kept momentum when innovation is concerned. All brands have successfully introduced new Concepts, among which the "value for Money" ranges in almost all products categories. The Group has also launched a European snacking concept coming from France and representing the new synergies that can be designed in the Group. Taste, health, convenience remain of course key areas of research and development. From the Naturissimos concept to the Premium Pizza, the Group new product activity will have represented more than 12,000 tons.

5. Acquisition of own shares

On June 24, 2009, the shareholders in general meeting approved several motions which included authorizing the Company or its subsidiaries to acquire, during five years, shares of Campofrío Food Group, S.A. for treasury shares representing up to 5% of the share capital at a price no greater than 5% of the share price.

At December 31, 2009 and 2008, the Company held 905,728 and 829,236 treasury shares, representing 0.89% and 0.81% of share capital respectively.

In 2009, the Company bought and sold treasury shares amounting to 4,474 and 3,840 thousand euros, respectively. In 2008, the Company bought and sold treasury shares amounting to 14,393 and 2,808 thousand euros, respectively.

6. Risk management policy

a) Risk management policy

The Group's business activities and transactions expose it to foreign currency, interest rate and other risks, which are managed by head office.

The Group's transactions are exposed to different basic financial risks:

1.- Credit risk

Credit risk exists when a potential loss may arise from the Group's counterparty not meeting its contractual obligations, i.e. the possibility that financial assets will not be recovered at their carrying amount within the established timeframe.

The main financial assets which expose the Group to credit risk are included in "Non-current financial assets" (Note 9), "Trade and other receivables" (Note 12) and other short-term balances at financial institutions classified as "Cash and cash equivalents" (Note 14) in the consolidated statement of financial position.

For the purposes of credit risk management the Group differentiates between financial assets arising from operations and investments.

<u>Operating activities</u>

The amounts reflected in the consolidated statement of financial position net of estimated impairment losses, correspond to the Group's maximum exposure to credit risk. They represent, therefore, the Group's exposure to the possibility of counterparties failing to fulfill their obligations.

Balances with financial institutions relate to short-term deposits held at national banks with credit ratings which represent maximum levels of solvency.

The Group's credit risk is not particularly concentrated; its exposure is spread among a large number of counterparties and customers.

See Note 12.C for impairment losses on financial assets recognized in 2009 and 2008.

<u>Investing activities</u>

The Group's investment policies establish that the Treasury Department can make investments per the following guidelines:

- Investments must be made through highly solvent Spanish and international financial institutions with no less than an A- credit rating according to Standard & Poor's and Fitch's ratings, or the equivalent A3 according to Moody's rating. The Group periodically reviews these institutions' credit ratings and transactions with institutions having less than an A- rating are not renewed. Consequently, investments maturing within less than one month are canceled and those maturing over more than one month are sold in a maximum period of seven days.

- Acceptable investment products include bank deposits, repos, promissory notes issued by highly solvent financial institutions, interest-bearing accounts and other similar financial products. Investment in speculative financial products or those in which the counterparty is not clearly and explicitly identified are expressly prohibited.

- Investments should be diversified to ensure that the risk is not particularly concentrated in any one institution.

- Investments are made in liquid assets with an original maturity of less than three months, or with a repurchase commitment, or on a secondary market which guarantees their immediate convertibility to cash if necessary.

- The parent's policy for delegating powers establishes the parameters for the use of joint and several signatures based on amount.

2.- Market risk

Market risk exists when a potential loss may arise from fluctuations in the fair value or future cash flows of a financial instrument due to changes in market prices.

Cash flow risk

At December 31, 2009, the Group had significant floating rate borrowings in euros indexed to the Euribor rate. These floating rates are revised at least quarterly. At December 31, 2009, the balance drawn down amounted to 4,771 thousand euros. Assuming that the drawn amounts at that date remained unchanged, a 1% increase or decrease in the Euribor rate would imply an annual increase or decrease in finance costs of 47.71 thousand euros.

Fair value risk

There is fair value risk for the interest rates and exchange rates of the derivatives held for trading. These derivatives were part of the cash flow and fair value hedges used to mitigate exposure related to the issue of a private placement in the US (US PP). Due to debt refinancing, and the cancellation of the underlying asset, the derivatives comprising part of the coverage structure have been reclassified as held for trading, and therefore, the changes in fair value of these derivatives affect "Changes in the fair value of financial instruments" on the income statement.

As the new financing was arranged in euros, there is no dollar exchange rate risk, we decided to enter into derivatives whose values were moving in the opposite direction to our CCIRS to ensure that our future dollar positions are set, thus eliminating future impacts from the EUR-USD exchange rate.

At December 31, 2009 the sensitivity analysis of the impact of interest rate changes on the financial instruments arranged to reduce the associated risk was as follows:

Sensitivity analysis: EUR interest rate				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousands of euros			
	Fair value	Effect		
Derivatives	(65,150)	2,555	7,565	(10,437)
Bond	(245,719)	-	-	-

In addition, the effects described above impact on the consolidated income statement as follows:

Sensitivity analysis: EUR interest rate – Impact on the income statement				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousand of euros			
	Fair value	Efecto		
CCIRS	(48,882)	-	-	-
IRS	(15,088)	1,567	4,666	(6,365)
Collar KIKO	(6,456)	988	2,899	(4,072)
	(70,426)	2,555	7,565	(10,437)

Finally, the sensitivity analysis at December 31, 2008 of a change in the main variables on the bond issued on February 20, 2003, which was canceled in November 2009 (Note 17), as well as the different financial instruments arranged to hedge the related risk, was as follows:

Sensitivity analysis: EUR interest rate				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousand of euros			
	Fair value	Effect		
Derivatives	(70,426)	4,158	7,762	(8,627)

Sensitivity analysis: USD interest rate				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousands of euros			
	Fair value	Effect		
Derivatives	(65,150)	(3,863)	(7,631)	8,021
Bond	(245,719)	3,863	7,631	(8,021)

Sensitivity analysis: Exchange rate			
		% change	
		10%	-10.00%
	Thousands of euros		
	Fair value	Effect	
Derivatives	(65,150)	(22,338)	27,302
Bond	(245,719)	22,338	(27,302)

In addition, the estimated effects at year end 2008 of the abovementioned impacted on the consolidated income statement and equity as follows:

Sensitivity analysis: EUR interest rate – Impact on the income statement				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousands of euros			
	Fair value	Effect		
Bond 3	(101,897)	-	-	-
CCS 3	(18,527)	162	322	(329)
IRS 3	(6,418)	2,060	4,068	(4,280)
IRS Cancellation	201	(1,997)	(3,944)	4,151
KIKO Collar	(3,759)	1,505	2,517	(3,133)

Sensitivity analysis: USD interest rate – Impact on the income statement				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousands of euros			
	Fair value	Effect		
Bond 3	(101,897)	1,877	3,708	(3,897)
CCS 3	(18,527)	(1,877)	(3,708)	3,897
IRS 3	(6,418)	-	-	-
IRS Cancellation	201	-	-	-
KIKO Collar	(3,759)	-	-	-

Sensitivity analysis: Exchange rate – Impact on the income statement			
		% change in EUR	
		10%	-10.00%
	Thousands of euros		
	Fair value	Effect	
Bonds 1, 2 and 4	(143,822)	13,363	(16,333)
CCS 1, 2 and 4	(30,156)	(13,363)	16,333
Bond 3	(101,897)	9,520	(11,635)
CCS 3	(18,527)	(9,520)	11,635

Sensitivity analysis: EUR interest rate – Impact on equity				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousands of euros			
	Fair value	Effect		
CCS 1, 2 and 4	(30,156)	204	406	(414)
IRS 1, 2 and 4	(6,491)	2,225	4,394	(4,623)

Sensitivity analysis: USD interest rate – Impact on equity				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousands of euros			
	Fair value	Effect		
CCS 1, 2 and 3	(30,156)	(2,016)	(3,982)	4,185
IRS 1, 2 and 4	(6,491)	-	-	-

Effective interest rate on borrowings

The effective interest rate of the new borrowings is 8.37%, and the coupon rate of bonds issued is 8.25%.

Exchange rate risk on current transactions.

The Group did not have significant exchange rate risk on current transactions in foreign currencies at December 31, 2009.

3.- Liquidity risk

Liquidity risk is the possibility that the Group will have insufficient funds or lack access to sufficient funds at an acceptable cost to meet its payment obligations at all times. The Group's objective is to maintain sufficient available funds. Group policies establish the minimum liquidity levels required at all times:

- Surplus cash may only be invested in certain types of assets (see credit risk – investing activities above) which guarantee convertibility to cash.

- Surplus cash is invested in short-term investments (one to three months) which guarantee that more than 60% mature within less than one month and/or can be readily converted to cash.

- The Group has renewable borrowing facilities for amounts that ensure its capacity to meet its operating needs as well as to finance short-term investment projects. At year end 2009 the Group had unused borrowing facilities amounting to 232,732 thousand euros (135,875 thounsands of euros:December 31, 2008).

The undiscounted contractual maturity schedules for its financial liabilities at December 31, 2009 were as follows:

	Euros			
	12 months or less	1 to 5 years	More than 5 years	Total
Bond				
Principal	-	-	500,000	500,000
Interest	41,250	165,000	82,500	288,750
Loans and borrowings				
Principal	6,203	-	-	6,203
Interest	626	-	-	626
Finance leases	552	1,883	56	2,491
Derivatives	8,165	61,582	5,050	74,797
Other non-current financial liabilities	-	-	2,363	2,363
Other non-current liabilities	58,510	-	-	58,510
Trade and other payables	449,720	-	-	449,720

The undiscounted contractual maturity schedules for its financial liabilities at December 31, 2008 were as follows:

	Euros			
	12 months or less	1 to 5 years	More than 5 years	Total
Bond				
Principal	-	196,882	14,371	211,252
Interest	14,402	40,912	1,554	56,868
Loans and borrowings				
Principal	33,405	151,634	-	185,039
Interest	13,505	12,687	9,496	35,688
Finance leases	-	-	-	-
Derivatives	7,842	71,026	4,504	83,372
Other non-current financial liabilities	-	-	1,957	1,957
Other non-current liabilities	116,718	-	-	116,718
Trade and other payables	457,310	-	-	457,310

As these amounts are undiscounted and include future interest, the figures in the above table do not agree with those recognized on the consolidated statement of financial position.

b) Capital management policy

The primary objective of the Group's capital management policy is to safeguard its capacity to continue managing its on-going activities and continue growing through new projects, while maintaining an optimal debt to equity ratio to create value for its owners.

The Group finances growth through:

- Internally generated cash flows from ongoing business activities.
- A financial leverage rate which enables it to rely on the generation of cash flows as well as alternative financing methods which may be used at any time to meet its investment needs.

In this regard, the Group endeavors to maintain moderate indebtedness as its optimum indebtedness level.

7. Additional information pursuant to article 116 bis of the Securities Market Act.

a. Share capital amounts to ONE HUNDRED AND TWO MILLION, TWO HUNDRED AND TWENTY THOUSAND, EIGHT HUNDRED AND TWENTY THREE EUROS (102.220.823 euros), consisting of 102,220,823 fully subscribed and paid-in shares with a nominal value of €1 each, all of a single series. All the shares are of the same class, bear the same rights and obligations, and are represented by book entries. Each share confers the status of shareholder on its lawful owner, as well as the rights recognized in the Company's bylaws and Spanish law. Shareholders shall have at least the following rights:

    a) To participate in the distribution of earnings and any assets if the Company were liquidated.

    b) To exercise pre-emptive subscription rights in the issuance of new shares or convertible bonds.

    c) To attend and vote at General Shareholders' Meetings and challenge the resolutions adopted.

    d) To receive information.

    The bylaws do not include any obligations other than the legal requirements relating to shareholder status.

    Nonetheless, in respect of Smithfield Foods' shareholders (SDFS Global Holdings BV, Cold Field Investments LLC, Smithfield Insurance Company Ltd), in the public deed of December 17, 2008 (protocol number 1245) ratified before Ms. María Bescos, registered notary in Madrid, regarding the takeover of Groupe Smithfield, S.L. by Campofrío Alimentacion S.A., specific obligations are established which include voting restrictions and limitations on directors' appointments and increases in shareholdings, as can been seen in the information on the company available at the CNMV (Spanish securities regulator), in the section on agreements between shareholders.

b. There are no legal or bylaw restrictions on the transfer of securities.

c. Significant direct and indirect shareholdings in the parent company at December 31, 2008 are as follows:

Name or company name of shareholder	No. of voting rights	No. of indirect voting rights (*)	% of total voting rights
SMITHFIELD FOODS INC	-	37,811,300	36.99 %
OCM OPPORTUNITIES FUND VI, LP	-	7,777,914	7.609 %
OCM EUROPEAN PRINCIPAL OPPORTUNITIES FUND LP	-	17,010,636	16.641 %
CARBAL SA	7,290,555	5,830,918	12.836 %
INMO 3 SL	137,100	3,944,824	3.993 %
CAJA DE AHORROS MUNICIPAL DE BURGOS	4,265,899	-	4.173 %

(*) Through:

Name or company name of direct owner of the shareholding	No. of voting rights	% of total voting rights
SMITHFIELD INSURANCE COMPANY LTD	1,399,304	1.369 %
COLD FIELD INVESTMENTS LLC	11,623,447	11.371 %
SDFS GLOBAL HOLDINGS BV	24,788,549	24.25 %
OCM LUXEMBOURG EPOF MEATS HOLDINGS SARL	17,010,636	16.641%
OCM LUXEMBOURG OPPS MEATS HOLDINGS SARL	7,777,914	7.609%
BITONCE SL	5,830,675	5.704 %
CARTERA NUVALIA SL	3,944,824	3.859 %

d. There are no further limitations on the exercise of voting rights other than those established in the shareholders' agreement referred to in a) above. However, investors must hold at least 10 shares, either individually or pooled, to be entitled to attend the General Shareholders' Meetings.

e. No shareholders' agreements were signed in 2009.

f. The Corporate bylaws (article 19) and the Regulations of the Board of Directors (articles 7 and 19, et. seq.) govern the appointment and replacement of board members. Proposals for the appointment, re-election or removal of directors which the board submits to the General Shareholder's Meeting have to be based on a proposal by the Appointment and Remunerations Committee for independent directors and upon a prior report from this Committee for all other directors. The non-executive, independent directors put forward for election by the Appointment and Remunerations Committee shall be based on the request of any of the directors from a list prepared by specialist advisors for this purpose. In addition, board vacancies shall be filled provisionally by the same board, subject to a proposal from the Appointment and Remuneration Committee, based on shareholders' nominations of people who should provisionally be a director of the board until a definitive resolution is passed at the first General Meeting held thereafter.

According to Article 23 of the Regulations of the Board of Directors, directors shall step down from the board when the term for which they were elected has expired and they have not been reappointed at the first General Shareholders' Meeting.

In addition, the shareholders at their General Meeting may remove directors from their post if there is a proposal from the board of directors, acting on the proposal of the Appointments and Remuneration Committee. In the case of proprietary or independent directors, such proposals must be accompanied by a report justifying the exceptional reasons that warrant or require their removal.

According to Article 23 of the Regulations of the Board of Directors and Article 19 bis of the company bylaws, directors shall stand down from the board upon expiry of the period for which they were elected when they have not been re-elected at the first General Shareholders' Meeting, or after the legal period for holding an Ordinary Shareholders' Meeting has elapsed, or in accordance with applicable legislation, as well as the following:

a) When they are removed from the executive posts related to their appointment as director.

b) When their circumstances render them incompatible or prohibited from serving on the board for one of the reasons specified under Spanish law.

c) When their presence on the Board jeopardizes the interests of the Company or when the reasons for which they were appointed cease to exist.

For modifications of the Company's bylaws, Article 15 of the bylaws requires in order for the General Shareholders Meeting to validate any agreement to issue debentures, increase or decrease capital, change, merge or spin-off the Company, and, generally, any modification of the bylaws, that at the first call shareholders must attend, directly or by proxy, that hold at least sixty-five percent of subscribed capital with voting rights. At second call, representation of fifty percent of this capital is sufficient.

The agreements referred to in the above paragraph require, whether at first or second call, that the majority of the capital with voting rights at the meeting, either in attendance or represented by proxy, votes in favor and that this majority represents at least 45% of subscribed capital with voting rights.

g. Under the Company's bylaws, the Board of Directors has the broadest powers to manage, represent and run the company. Representation includes all acts necessary to carry out the corporate purpose established in the bylaws. At present the Company has no Chief Executive post; however, there is a Group Managing Director or CEO with general powers to represent the Company, who can enter into any type of agreement and perform any acts of administration or disposal. In addition, the Chairman of the Board holds general powers granted in 1980. As for the authority to repurchase shares, in their General Meeting held on June 24, 2009, the shareholders unanimously agreed to authorize the parent company or its subsidiaries to buy treasury shares, subject to the following conditions:

1. The acquisition price may not be (i) less than the nominal value of the shares of the Company on the date of their acquisition, either through a purchase-sale or other type of transaction, neither (ii) more than 5% higher than the trading price on the date of acquisition, by purchase-sale or other, or than its prior close if the transaction is carried out on a day when the shares are not quoted. However, shares may be acquired at a different price within the framework of pre-existing agreements in which the price has been determined and may be determined.

2. This power is granted for the current maximum legal limit and therefore, subject in any case, to the enactment, on July 4, 2009, of the Structural Modifications to Mercantile Corporations Law 3/2009 of April 3, after which, it shall be granted for a term of five years as of the date of this agreement.

3. The nominal value of the shares acquired, together with existing treasury shares held by the acquiring entity and its subsidiaries and, if appropriate, those held by the parent and its subsidiaries, may not exceed 5% of share capital until the enactment of the abovementioned Law 3/2009, and thereafter, may not exceed 10% of issued capital.

4. Any remaining conditions of Article 75 and its related provisions of the Spanish Corporation Law applicable over the duration of this power must be fulfilled.

That purpose of the buyback may be, inter alia, delivery of the shares to employees and directors pursuant to share delivery plans, share options or share-based payment schemes agreed by the parent company's shareholders in general meeting or as a form of shareholder remuneration.

In addition, related to the powers to issue shares, at the General Shareholders' Meeting of June 24, 2009, approval was given to grant the board of directors powers, for a maximum period of five years, to increase share capital, one of several times, up to a maximum nominal amount of 51,110,411 euros via the issue of up to 51,110,411 ordinary shares of one (1) euro nominal value each, and with the additional power to suppress pre-emptive subscription rights in accordance with the provisions of Article 159.2 of Spanish Corporation Law.

By virtue of these powers, the Board of Directors was empowered to increase capital when and as much as it deemed appropriate, up to the aforementioned maximum amount, without the need for further consultation at the General Meeting, with the power, as appropriate, to suppress pre-emptive subscription rights when the interest of the Company is at stake, subject to the terms and conditions of the provisions of Article 153.1.b) and, as appropriate, 159.2. of the Spanish Corporation Law, and, in particular the provisions set forth below:

(a) The capital increase can be approved by the Board of Directors in a lump sum or in smaller amounts by issuing ordinary shares with a nominal value of one (1) euro each, recognized via the book-entry system, and bearing the same rights as the remaining outstanding ordinary shares. The Board is empowered to determine the date as of which the new shares are entitled to receive distributions of the Company's profits.

(b) The new shares must be settled in cash.

(c) For capital increases authorized via the exercise of these powers <u>with pre-emptive subscription rights</u>, the issue price shall be freely determined by the Board of Directors in reliance upon the power conferred on it to this end at the general meeting, with no limitations other than those set out in article 47.2 of the Spanish Corporation Law. In these instances, the Board may decide whether to allocate unsubscribed shares in application of pre-emptive subscription rights or declare incomplete subscription under the terms of article 161 of the Spanish Corporations Law.

(d) For capital increases authorized via the exercise of these powers <u>suppressing pre-emptive subscription rights</u>, the new share issue price shall be freely determined by the Board of Directors, subject to the limitations and formalities set out in article 159.2 of the Spanish Corporation Law. In these instances, the Board of Directors can declare incomplete subscription, as set out in article 161 of the Spanish Corporation Law.

h. On November 2, 2009 CAMPOFRIO FOOD GROUP S.A. closed its 500,000 thousand euro bond issue quoted on the Luxembourg Stock Exchange. The amount of this issue has been used to repay the nominal amount of CAMPOFRÍO INTERNATIONAL FINANCE S.ÀR.L.'s earlier issue ("USPP") in 2003, as well as the amount pending payment on the LBO facility granted to the Groupe Smithfield in 2006 by several banks for an initial amount of 415,000 thousand euros. As a result of this issue, the Company is required to comply with standard restrictions for these types of transactions in order to assume senior debt above certain limits. It must also stay within the standard limits established for such transactions when granting guaranties, making certain disbursements, paying dividends, disposing of assets, conducting transactions with subsidiaries and effecting changes in the control of shareholders, up to certain levels and with certain exceptions.

i. At year end, there were ten contracts with senior managers providing for compensation if the employment relationship was terminated during a defined period

8. Annual corportate governance report.

ANNUAL CORPORATE GOVERNANCE REPORT

FOR PUBLICLY LISTED COMPANIES

DATA IDENTIFYING THE ISSUER

FINANCIAL YEAR END: 31/12/2009

Tax ID number: A-9000928

Business name: CAMPOFRIO FOOD GROUP, S.A.

ANNUAL CORPORATE GOVERNANCE REPORT FORM FOR PUBLICLY LISTED COMPANIES

For a better understanding of this form and subsequent drafting of the report, please read the instructions attached for this purpose at the end of this report.

A OWNERSHIP STRUCTURE

A.1 Complete the following table in relation to the company's share capital:

Last date of modification	Share capital (€)	Number of shares	Number of voting rights
30/12/2008	102,220,823.00	102,220,823	102,220,823

Indicate whether there are different classes of shares with different rights attaching to them:

No

A.2 List the company's significant direct and indirect shareholders at year-end, excluding directors:

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
SMITHFIELD FOODS, INC	0	37,811,300	36.990
OCM EUROPEAN PRINCIPAL OPPORTUNITIES FUND, L.P.	0	17,010,636	16.641
CARBAL, S.A.	7,290,555	5,830,918	12.836
OCM OPPORTUNITIES FUND VI, L.P.	0	7,777,914	7.609
CAJA DE AHORROS MUNICIPAL DE BURGOS	4,265,899	0	4.173
INMO3, S.L.	137,100	3,944,824	3.993

Name or company name of the indirect shareholder	Held through: Name or company name of the direct shareholder	Number of direct voting rights	% of total voting rights
SMITHFIELD FOODS, INC.	COLD FIELD INVESTMENTS, LLC	11,623,447	11.371
SMITHFIELD FOODS, INC.	SFDS GLOBAL HOLDINGS, B.V.	24,788,549	24.250
SMITHFIELD FOODS, INC.	SMITHFIELD INSURANCE COMPANY LTD.	1,399,304	1.369
OCM EUROPEAN PRINCIPAL OPPORTUNITIES FUND, L.P.	OCM LUXEMBOURG EPOF MEATS HOLDINGS SARL	17,010,636	16.641
CARBAL, S.A.	BITONCE, S.L.	5,830,675	5.704
OCM OPPORTUNITIES FUND VI, L.P.	OCM LUXEMBOURG OPPS MEATS HOLDINGS SARL	7,777,914	7.609
INMO3, S.L.	CARTERA NUVALIA, S.L.	3,944,824	3.859

Indicate the most significant movements in the shareholder structure during the financial year:

A.3 Complete the following tables detailing the members of the board of directors who own voting shares in the company:

Name or company name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
PEDRO JOSE BALLVE LANTERO	15	119,757	0.117
JUAN JOSE GUIBELALDE IÑURRITEGUI	1,284	0	0.001
LUIS SERRANO MARTÍN	20	1,295,497	1.267

Name or company name of the Indirect shareholder	Held through: Name or company name of the direct shareholder	Number of direct voting rights	% of total voting rights
PEDRO JOSE BALLVE LANTERO	BETONICA 95, S.L.	119,757	0.117
LUIS SERRANO MARTÍN	ALINA CORPORATE S.L.	1,295,497	1.267

% of total voting shares held by the Board of Directors	1.386

Complete the following table detailing the members of the board of directors who have company share options:

A.4 Where applicable, list family, commercial, contractual or corporate relationships between significant shareholders, to the extent that the company is aware of them, unless they are negligible or derive from the company's ordinary course of business:

Type of relationship:

Family

Brief description:

CONTROLLED BY THE DÍAZ DEL RIO BROTHERS AND LUIS SERRANO THROUGH OTHER COMPANIES

Name or corporate name related party
CARTERA NUVALIA S.L.
INMO 3 S.L.

Type of relationship:

Family

Brief description:

CONTROLLED BY PEDRO JOSE BALLVE LANTERO

Name or corporate name related party
CARBAL S.A.

A.5 Where applicable, list commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, unless they are negligible or derive from the company's ordinary course of business:

A.6 Indicate whether the company has been notified of any agreements between shareholders within the meaning of Article 112 of the Securities Market Act. If so, briefly describe the agreements and list the shareholders which are party to them:

Yes

% of share capital covered:

78.16

Brief description of agreement:

MERGER AGREEMENT BETWEEN CAMPOFRIO ALIMENTACIÓN S.A. AND GROUPE SMITHFIELD SL AND OTHER ENTITIES, DATED 30 JUNE 2008, AS FIRST AMENDED ON 18 SEPTEMBER 2008 AND AS FURTHER AMENDED ON 24 OCTOBER 2008

Parties to shareholder agreement
OCM EUROPEAN PRINCIPAL OPPORTUNITIES FUND, L.P.
OCM LUXEMBOURG OPPS MEATS HOLDINGS SARL
OCM LUXEMBOURG EPOF MEATS HOLDINGS SARL
SFDS GLOBAL HOLDINGS, B.V.
SMITHFIELD FOODS, INC
CARBAL, S.A.
CARTERA NUVALIA, S.L.
BITONCE, S.L.
ALINA CORPORATE S.L.
BETONICA 95, S.L.
GROUPE SMITHFIELD HOLDINGS SL

% of share capital covered:

36.99

Brief description of agreement:

AGREEMENTS INCLUDED IN DEEDS NOTARISED ON 17 DECEMBER 2008, BEFORE NOTARY PUBLIC MARIA BESCOS, THEREBY GRANTED MERGER AGREEMENT NUMBER 1245, WHICH AGREEMENT INCLUDES VOTING RESTRICTIONS AND CERTAIN OBLIGATIONS OR LIMITATIONS IN RELATION TO THE APPOINTMENT OF DIRECTORS AND INCREASES IN SHAREHOLDINGS.

Parties to shareholder agreement
COLD FIELD INVESTMENTS, LLC
SFDS GLOBAL HOLDINGS, B.V.
SMITHFIELD FOODS, INC
CAMPOFRIO FOOD GROUP, S.A.
SMITHFIELD INSURANCE COMPANY LTD.

Indicate whether the company is aware of any concerted actions among its shareholders. If so, briefly describe them:

No

Expressly indicate any change in, or break-up of, said concerted actions or agreements in the year.

A.7 Indicate whether any person or organisation exercises or may exercise control over the company pursuant to Article 4 of the Securities Market Act. If so, identify it:

No

A.8 Complete the following table in relation to the company's treasury stock:

At year end:

Number of direct shares	Number of indirect shares (*)	% of total share capital
905,728	0	0.886

(*) Held through:

Total	0

List any significant variations that have occurred during the financial year, pursuant to Royal Decree 1362/2007:

Gains / (losses) from treasury stock sold in the year (thousands of euros)	-640

A.9. Detail the terms and conditions of the authorisation conferred at the General Shareholders' Meeting to the board of directors to purchase and/or transfer treasury stock.

THE COMPANY'S SHAREHOLDERS, IN GENERAL MEETING ON 24 JUNE 2009, RESOLVED, WITH THE FAVOURABLE VOTE OF 99.99% OF ATTENDING VOTING CAPITAL AND 0.01% AGAINST, TO AUTHORISE THE ACQUISITION BY THE COMPANY OR ITS SUBSIDIARIES OF SHARES OF CAMPOFRÍO TO BE HELD IN TREASURY STOCK, SUBJECT TO THE FOLLOWING CONDITIONS:

1. THE ACQUISITION PRICE MAY NOT BE (I) BELOW THE NOMINAL VALUE OF THE COMPANY'S SHARES ON THE DATE OF ACQUISITION OF THE SHARES, BY PURCHASE-SALE OR OTHER, OR (II) MORE THAN 5% HIGHER THAN THE TRADING PRICE ON THE STOCK MARKET SESSION OF THE DATE OF ACQUISITION, BY PURCHASE-SALE OR OTHER, OF THE SHARES, OR THE LAST CLOSE IF THE TRANSACTION IS CARRIED OUT ON A STOCK EXCHANGE HOLIDAY. HOWEVER,

SHARES MAY BE ACQUIRED AT A DIFFERENT PRICE WITHIN THE FRAMEWORK OF PRE-EXISTING AGREEMENTS WHERE THE PRICE HAS BEEN SET OR THE PROCESS FOR SETTING IT IS PROVIDED FOR.

2. SAID AUTHORISATION IS GRANTED FOR THE MAXIMUM PERIOD OF TIME ALLOWED UNDER PREVAILING LEGISLATION. ACCORDINGLY, AS IMPLEMENTED BY LAW 3/2009 (2 APRIL 2009), EFFECTIVE SINCE 4 JULY 2009, REGARDING STRUCTURAL MODIFICATIONS TO CORPORATIONS, THE FOREGOING AUTHORISATION IS VALID FOR FIVE YEARS FROM THE DATE OF RESOLUTION THEREOF.

3. THE NOMINAL VALUE OF THE SHARES ACQUIRED DIRECTLY OR INDIRECTLY, TOGETHER WITH EXISTING TREASURY STOCK HELD BY THE ACQUIRING ENTITY AND ITS SUBSIDIARIES AND, IF ANY, THAT HELD BY THE PARENT COMPANY AND ITS SUBSIDIARIES, MAY NOT EXCEED 5% OF SHARE CAPITAL UP UNTIL ENACTMENT OF THE AFOREMENTIONED LAW 3/2009 AND MAY NOT EXCEED 10% OF SHARE CAPITAL THEREAFTER.

4. COMPLIANCE WITH ALL OTHER TERMS AND CONDITIONS LAID DOWN IN ARTICLE 75 AND COMPLEMENTARY PROVISIONS OF THE SPANISH COMPANIES ACT THAT APPLY OR MAY APPLY DURING THE TERM OF THE FOREGOING AUTHORISATION. THE PURPOSE OF THE BUYBACK MAY BE, INTER ALIA, DELIVERY OF THE SHARES TO EMPLOYEES AND DIRECTORS PURSUANT TO SHARE GRANT PLANS, STOCK OPTIONS OR SHARE-BASED PAYMENT SCHEMES AGREED BY THE COMPANY'S SHAREHOLDERS IN GENERAL MEETING OR AS A FORM OF REMUNERATING SHAREHOLDERS.

A.10 Indicate any legal or bylaw restrictions on the exercise of voting rights and any legal restrictions on the acquisition and/or transfer of holdings in the company's share capital. Indicate whether there are legal restrictions on the exercise of voting rights:

None

Legal limit on percentage of voting rights a shareholder can exercise	0

Indicate whether there are any restrictions in the company's bylaws on the exercise of voting rights:

None

Limit in the bylaws on the percentage of voting rights a shareholder can exercise	0

Indicate whether there are any legal restrictions on the acquisition or transfer of holdings in the company's share capital:

None

A.11 Indicate whether any measures have been adopted at the General Shareholders' Meeting with the aim of neutralising a hypothetical takeover bid within the meaning of Law 6/2007.

No

If so, explain the defence measures approved against takeover bids and the terms under they could be rendered unenforceable:

B STRUCTURE OF CORPORATE ADMINISTRATION

B.1 Board of Directors

B.1.1 Detail the maximum and minimum number of directorships established in the corporate bylaws:

Maximum number of directors	15
Minimum number of directors	5

B.1.2 Fill in the following table with the board members and their details:

Name or company name of director	Represented by	Post	Date of first appointment	Most recent appointment	Election procedure
PEDRO JOSE BALLVE LANTERO	--	CHAIRMAN	14/12/1987	24/10/2008	GENERAL SHAREHOLDERS' MEETING
YIANNIS PETRIDES	--	VICE-CHAIRMAN	23/06/2005	24/10/2008	GENERAL SHAREHOLDERS' MEETING
CALEB SAMUEL KRAMER	--	DIRECTOR	24/10/2008	24/10/2008	GENERAL SHAREHOLDERS' MEETING
CHARLES LARRY POPE	--	DIRECTOR	24/10/2008	24/10/2008	GENERAL SHAREHOLDERS' MEETING
GUILLERMO DE LA DEHESA ROMERO	--	DIRECTOR	18/06/1997	24/10/2008	GENERAL SHAREHOLDERS' MEETING
JUAN JOSE GUIBELALDE IÑURRITEGUI	--	DIRECTOR	21/03/1988	24/10/2008	GENERAL SHAREHOLDERS' MEETING
KARIM MICHAEL KHAIRALLAH	--	DIRECTOR	24/10/2008	24/10/2008	GENERAL SHAREHOLDERS' MEETING
LUIS SERRANO MARTÍN	--	DIRECTOR	30/06/2000	24/10/2008	GENERAL SHAREHOLDERS' MEETING
RICHARD JASPER POULSON	--	DIRECTOR	24/10/2008	24/10/2008	GENERAL SHAREHOLDERS' MEETING

Total number of directors	9

Indicate any board resignations during this period:

B.1.3 Fill in the following table on the board members and their different directorships:

EXECUTIVE DIRECTORS

Name or company name of director	Committee proposing appointment	Post within the company organisation
PEDRO JOSE BALLVÉ LANTERO	--	CHAIRMAN

Total number of executive directors	1
% of total board	11.111

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of director	Committee proposing appointment	Name or company name of the significant shareholder represented or who proposed the appointment
CALEB SAMUEL KRAMER	--	OCM EUROPEAN PRINCIPAL OPPORTUNITIES FUND, L.P.
CHARLES LARRY POPE	--	SMITHFIELD FOODS, INC.
KARIM MICHAEL KHAIRALLAH	--	OCM OPPORTUNITIES FUND VI, L.P.
LUIS SERRANO MARTÍN	--	CARTERA NUVALIA, S.L.
RICHARD JASPER POULSON	--	SMITHFIELD FOODS, INC.

Total number of proprietary directors	5
% of total board	55.556

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of director

YIANNIS PETRIDES

Background

MANAGEMENT/CORPORATE

Name or company name of director

GUILLERMO DE LA DEHESA ROMERO

Background

FINANCE/CORPORATE

Name or company name of director

JUAN JOSE GUIBELALDE IÑURRITEGUI

Background

MANAGEMENT/CORPORATE

Total number of independent directors	3
% of total board	33.33

OTHER EXTERNAL DIRECTORS

Total number of other external directors	0
% of total board	0.000

List the reasons why they cannot be considered proprietary or independent and the links that person maintains with the company, its managers or its shareholders:

Indicate any variations that have occurred in director classification during this period:

B.1.4 Explain any reasons why proprietary directors have been appointed at the urging of shareholders controlling less than 5% of capital:

Name or company name of shareholder

CARTERA NUVALIA, S.L.

Reason

LUIS SERRANO WAS ALSO APPOINTED PROPRIETARY DIRECTOR AT THE BEHEST OF ALINA CORPORATE SL (A COMPANY LUIS SERRANO CONTROLS); TOGETHER, THE TWO COMPANIES OWN AN INTEREST OF OVER 5%

Indicate whether formal requests for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship have been rejected. If so, explain the reasons they were rejected.

No

B.1.5 Indicate whether a director has given up their place before their tenure expired, whether they have stated their reasons to the board and how, and, if in writing to the board, explain the reasons given:

No

B.1.6 Indicate, where appropriate, any powers delegated to the chief executive(s):

B.1.7 Identify any directors who are also executives or directors of other companies that form part of the listed company group:

Name or company name of director	Name of group company	Position
JUAN JOSE GUIBELALDE IÑURRITEGUI	JAMONES BURGALESES, S.A.	CHAIRMAN OF THE BOARD
JUAN JOSE GUIBELALDE IÑURRITEGUI	NAVIDUL EXTREMADURA, S.A.	CHAIRMAN OF THE BOARD, IN REPRESENTATION OF CAMPOFRÍO

B.1.8 List any company board members who are also members of the board of directors of other companies listed on official securities markets in Spain, other than your own group, that have been reported to the company:

Name or company name of director	Name of the listed company	Position
GUILLERMO DE LA DEHESA ROMERO	BANCO SANTANDER S.A.	DIRECTOR

B.1.9 Indicate whether the company has any rules about the number of directorships its board members can hold and if so explain them.

No

B.1.10 Regarding recommendation 8 of the Unified Code, indicate the company's general policies and strategies which the board in full has reserved the right to approve:

Investment and financing policy	Yes
Design of the structure of the corporate group	Yes
Corporate governance policy	Yes
Corporate social responsibility policy	Yes

The strategic or business plan, management targets and annual budgets	Yes
Remuneration and evaluation of senior officers	Yes
Risk control and management, and the periodic monitoring of internal information and control systems	Yes
Dividend policy, as well as the policies and limits applying to treasury stock	Yes

B.1.11 Fill in the following tables regarding aggregate remuneration accrued by directors during the year:

a) In the company subject to this report:

Type of remuneration	Thousands of euros
Fixed remuneration	938
Variable remuneration	46
Allowances	747
Bylaw-stipulated director emoluments	0
Share options and/or other financial instruments	0
Other	0

Total	1731

Others benefits	Thousands of euros
Advances	0
Loans granted	0
Pension plans and funds: contributions	0
Pension plans and funds: obligations contracted	0
Life insurance premiums	15
Guarantees given by the company in favour of directors	0

b) For directors belonging to other boards of directors and/or senior management of group companies:

Type of remuneration	Thousands of euros
Fixed remuneration	0
Variable remuneration	0
Allowances	0
Bylaw-stipulated director emoluments	0
Share options and/or other financial instruments	0
Other	0

TOTAL	0

Others benefits	Thousands of euros
Advances	0
Loans granted	0
Pension plans and funds: contributions	0
Pension plans and funds: obligations contracted	0
Life insurance premiums	0
Guarantees given by the company in favour of directors	0

c) Total remuneration by type of directorship:

Type of director	By company	By group
Executive	1052	0
External Proprietary	400	0
External Independent	279	0
Other external	0	0

Total	1731	0

d) In terms of profit attributable to the parent company:

Total director remuneration (in thousands of euros)	1731
Total director remuneration/ profit attributable to the parent company (%)	12,4

B.1.12 Identify the members of senior management who are not executive directors and indicate total remuneration accruing to them during the year:

Name or company name	Position
PAULO SOARES	GENERAL MANAGER, NOBRE
HELLEN VAN BENTHEN	GENERAL MANAGER, STEGEMAN
OLIVIER MAES	GENERAL MANAGER, AOSTE
FERNANDO VALDES BUENO	GENERAL MANAGER, CAMPOFRÍO SPAIN
ALFREDO SANFELIZ MEZQUITA	SVP LEGAL AFFAIRS AND GENERAL COUNSEL
ISABEL ROPERO POLIZ	HEAD OF STRATEGY AND INVESTOR RELATIONS
JUAN CARLOS PEÑA FERNANDEZ	HEAD OF INTERNAL AUDIT
OVIDIU WENCZ	GENERAL MANAGER, RUMANIA
DIRK JACXSENS	GENERAL MANAGER, IMPERIAL
ERIC DEBARNOT	SVP BUSINESS AND CUSTOMER DEVELOPMENT
FREDERIC SEBBAN	SVP STRATEGIC SOURCING
JAVIER ARRONIZ MORERA DE LA VALL	SVP HUMAN RESOURCES
KARL HEINZ KIESSEL	SVP OPERATIONS
ROBERT ALAIR SHARPE II	CHIEF EXECUTIVE OFFICER
EMMANUELLE BELY	SVP LEGAL AFFAIRS AND GENERAL COUNSEL
MARTINE GEROW	SVP FINANCE AND INFORMATION SYSTEMS
DIANE WALTHER	GENERAL MANAGER, CFG GERMANY

Total senior management remuneration (in thousands of euros)	4,110

B.1.13 Identify in aggregate terms any guarantees or "golden parachute" clauses benefiting senior managers (including executive directors) of the company or its group. Indicate whether these contracts must be reported to and/or approved by the governing bodies of the company or its group:

Number of beneficiaries	10

	Board of Directors	General Shareholders' Meeting
Body authorising the clauses	Yes	No

Is the General Shareholders' Meeting informed of these clauses?	No

B.1.14 Indicate the process for establishing board members' remuneration and any relevant clauses in bylaws regarding such payment.

Process for establishing board members' remuneration and clauses in the company bylaws
THE BOARD REGULATIONS STATE THAT THE MATTERS RESERVED TO THE FULL BOARD ARE THOSE STIPULATED IN ARTICLE 24 OF THE BYLAWS WHOSE SECTION E) LISTS APPROVAL OF DIRECTOR REMUNERATION IN CONFORMITY WITH THE PROVISIONS OF ARTICLE 25 OF THE BYLAWS, AND FOR EXECUTIVE DIRECTORS, ANY ADDITIONAL REMUNERATION FOR DISCHARGING EXECUTIVE DUTIES. REGARDING THE PROCESS FOR SETTING REMUNERATION, AFTER DEBATE AND DISCUSSION WITH THE CHIEF EXECUTIVE, THE NOMINATION AND REMUNERATION COMMITTEE SUBMITS ITS REPORT TO THE BOARD FOR APPROVAL. THE APPLICABLE CLAUSES IN THE COMPANY BYLAWS AND REGULATIONS ARE AS FOLLOWS: ARTICLE 25 OF THE BYLAWS SETS FORTH: "The office of director shall be remunerated. Such remuneration shall consist of an annual fixed amount to be decided each year by the company's Board of Directors for the year in which such decision is taken. The Board shall also decide on the criteria for its distribution among the members of the Board. This amount shall not exceed the maximum annual amount established by the General Meeting, which shall be deemed to be effective for the current and ensuing years, until an amendment is adopted by the General Meeting. Additionally, directors may also receive as remuneration, cumulatively to the remuneration stipulated in the foregoing section, shares or option rights over such shares or that are linked to the value thereof, the approval of which shall require the relevant resolution of the General Shareholders Meeting, which shall decide on the value of the shares to be taken as a benchmark, the number of shares to be granted to each director, the price at which the option rights may be exercised, the term of application of this

system of remuneration, and any other terms and conditions that it deems appropriate. The foregoing shall not prevent or limit any other remuneration agreed between the Company and its directors in connection with an employment contract or in exchange for the provision of other specific professional services." IN ADDITION, ARTICLE 27 OF THE BOARD REGULATIONS SETS FORTH THE FOLLOWING IN RELATION TO DIRECTOR REMUNERATION: 1. Directors shall be entitled to receive the remuneration set by the Board of Directors pursuant to the corresponding bylaw stipulated provisions and in accordance with a prior report issued by the Nomination and Remuneration Committee in the event of any changes. 2. The board shall procure that the remuneration of directors shall be moderate in light of market conditions pursuant to the provisions of the bylaws and in terms of nature and criteria, proportional to the purposes of the Company and the duties assigned to the board and to each one of the different categories of directors referred to in article 7 of the Board Regulations and, in particular, it shall procure that the remuneration of external directors is sufficient to compensate their dedication and qualification, but not as high as to compromise their independence; that remuneration associated with the Company's profit takes into account any reservations set forth in the external auditor's report which may reduce such profit, and, in the case of variable remuneration, that the necessary precautions are taken in order to ensure that remuneration is commensurate with the professional experience of its recipient and is not dictated by the general evolution of the markets. 3. The board shall see that director remuneration is at all times compliant with prevailing regulations and standards governing disclosure and transparency.

Indicate whether the board in full reserves the right to approve:

On the proposal of the company's chief executive, the appointment and removal of senior officers, and their remuneration clauses.	Yes

Director remuneration and, in the case of executive directors, the additional consideration for their management duties and other contractual conditions.	Yes

B.1.15 Indicate whether the board of directors approves a detailed remuneration policy and specify the matters on which it decides:

Yes

The amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment they give rise to	Yes
Variable components	Yes
The main characteristics of pension systems, with an estimate of their amount or annual equivalent cost.	Yes
The conditions to apply to the contracts of executive directors exercising senior management functions	Yes

B.1.16 Indicate whether the board submits a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting as a separate point on the agenda. If so, explain the main features of the report regarding the remuneration policy approved by the board for the following years, the most significant changes in remuneration policy applied during the year and a global summary of how the policy was applied over the period. Detail the role of the Remuneration Committee and if external advisors have been engaged, their identity:

No

Role of the Remuneration Committee
TO PROPOSE OR ISSUE A REPORT ON THE REMUNERATION OF THE COMPANY'S BOARD MEMBERS AND SENIOR MANAGEMENT AND TO REVIEW/ANALYSE THE CONTRACTUAL TERMS OF DIRECTOR AND SENIOR MANAGEMENT EMPLOYMENT ARRANGEMENTS. IN 2009 THE COMPANY DID ENGAGE A CONSULTANT TO PROVIDE EXTERNAL ADVISORY SERVICES.

Have external advisors been engaged?	Yes

Identity of the external advisors	MERCER

B.1.17 Indicate the identity of any board members who sit on the board of directors or hold senior management posts in companies having significant shareholdings in the listed company and/or its group companies:

Name or company name of director	Company name of significant shareholder	Position
PEDRO JOSE BALLVE LANTERO	CARBAL S.A.	JOINT AND SEVERAL DIRECTOR
CALEB SAMUEL KRAMER	OCM EUROPEAN PRINCIPAL OPPORTUNITIES FUND, L.P.	MANAGING DIRECTOR
CHARLES LARRY POPE	SMITHFIELD FOODS, INC.	CHAIRMAN & CEO
KARIM MICHAEL KHAIRALLAH	OCM OPPORTUNITIES FUND VI, L.P.	MANAGING DIRECTOR
LUIS SERRANO MARTÍN	CARTERA NUVALIA, S.L.	JOINT AND SEVERAL DIRECTOR
RICHARD JASPER POULSON	SMITHFIELD FOODS, INC.	EXECUTIVE VICE-CHAIRMAN

Detail, if appropriate, any relevant relations other than those indicated in the section above that link members of the board of directors with significant shareholders and/or their group companies:

Name or company name of director

LUIS SERRANO MARTÍN

Name or company name of significant shareholder

INMO 3, S.L.

Description of relationship

INDIRECT OWNERSHIP STAKE OF 7.24%

B.1.18 Indicate whether there have been any amendments made to the Board Regulations during the year:

No

B.1.19 Indicate any procedures for the appointment, re-election, assessment and removal of directors. List the competent bodies, the steps followed and the criteria applied in each of the procedures.

EXCEPT AS PROVIDED IN LAW AND THE COMPANY BYLAWS IN RELATION TO APPOINTMENT BY CO-OPTION, DIRECTORS SHALL BE APPOINTED AT THE GENERAL SHAREHOLDERS' MEETING AT THE PROPOSAL OF THE BOARD OF DIRECTORS WHICH IN TURN SHALL

ACT AT THE PROPOSAL OF THE NOMINATION AND REMUNERATION COMMITTEE REGARDING INDEPENDENT DIRECTORS, AND SUBJECT TO A REPORT BY THIS COMMITTEE IN THE CASE OF ALL OTHER DIRECTORS, WITHOUT PREJUDICE TO SHAREHOLDERS' RIGHTS AS PROVIDED FOR IN THE SPANISH COMPANIES ACT.

PURSUANT TO ARTICLE 15 OF THE BOARD REGULATIONS, THE NOMINATION AND REMUNERATION COMMITTEE'S FUNCTIONS INCLUDE SUBMITTING PROPOSALS TO THE BOARD OF DIRECTORS ON THE ELECTION, RE-ELECTION OR DISMISSAL OF INDEPENDENT DIRECTORS BASED ON A LIST PREPARED BY SPECIALIST CONSULTANTS IF SO REQUIRED BY ANY DIRECTOR. SIMILARLY, THIS COMMITTEE IS REQUIRED TO REPORT, IN ADVANCE, ON ALL PROPOSALS BY THE BOARD OF DIRECTORS TO THE GENERAL SHAREHOLDERS' MEETING IN RELATION TO THE APPOINTMENT OF DIRECTORS, CONSIDERING THE CANDIDATES' PERSONAL AND PROFESSIONAL CREDENTIALS, AS WELL AS THE NEEDS OF THE COMPANY'S GOVERNING BODIES AT ANY POINT IN TIME.

REGARDING THE APPOINTMENT OF EXTERNAL INDEPENDENT DIRECTORS, ARTICLE 20 OF THE BOARD REGULATIONS STATES THAT THE BOARD OF DIRECTORS, WITHIN THE SCOPE OF ITS POWERS, SHALL SEE THAT CANDIDATES TO BE SELECTED BE PERSONS OF RENOWNED SOLVENCY AND COMPETENCE, WHO CAN CONTRIBUTE EXPERIENCE AND KNOWLEDGE TO THE COMPANY'S GOVERNANCE, AND SHALL EXERCISE SPECIAL CARE IN RELATION TO THOSE INTENDED TO FILL THE POSITIONS OF EXTERNAL INDEPENDENT DIRECTORS AS SET FORTH IN THE BOARD REGULATIONS.

DIRECTORS SHALL BE APPOINTED FOR A STATUTORY 5-YEAR TERM AND MAY BE RE-ELECTED ONE OR MORE TIMES FOR SIMILAR PERIODS.

DIRECTORS APPOINTED BY CO-OPTION SHALL HOLD THEIR DIRECTORSHIP UNTIL THE NEXT GENERAL SHAREHOLDERS' MEETING FOLLOWING THEIR APPOINTMENT.

IN ACCORDANCE WITH THE BYLAWS, DIRECTORS SHALL BE APPOINTED FOR A 5-YEAR TERM AND MAY BE RE-ELECTED ONE OR MORE TIMES FOR SIMILAR PERIODS.

PROPOSALS TO RE-ELECT DIRECTORS SUBMITTED TO THE GENERAL SHAREHOLDERS' MEETING AT THE BEHEST OF THE BOARD OF DIRECTORS SHALL BE MADE SUBJECT TO A PROPOSAL

BY THE NOMINATION AND REMUNERATION COMMITTEE, IN THE CASE OF INDEPENDENT DIRECTORS, BASED ON A LIST DRAWN UP FOR THIS PURPOSE BY EXTERNAL EXPERTS IF SO REQUIRED BY ANY DIRECTOR, AND A REPORT BY THE COMMITTEE IN THE CASE OF ALL OTHER DIRECTORS.

IN ACCORDANCE WITH THE FOREGOING, FOR ALL PROPOSED APPOINTMENTS AND RE-ELECTIONS OF DIRECTORS, AN ASSESSMENT WILL BE MADE OF THE CANDIDATES' PERSONAL CIRCUMSTANCES, AS WELL AS THEIR JOB PERFORMANCE AND COMMITMENT.

DIRECTORS SHALL CEASE TO HOLD OFFICE UPON EXPIRY OF THE TERM FOR WHICH THEY WERE APPOINTED WITHOUT HAVING BEEN RE-ELECTED AT THE FIRST SUBSEQUENT GENERAL SHAREHOLDERS' MEETING.

MOREOVER, DIRECTORS MAY BE REMOVED FROM OFFICE BY THE SHAREHOLDERS IN GENERAL MEETING, AT THE PROPOSAL, IF APPLICABLE, OF THE BOARD OF DIRECTORS, WHICH IN TURN SHALL ACT AT THE PROPOSAL OF THE NOMINATION AND REMUNERATION COMMITTEE. FOR THE REMOVAL OF A PROPRIETARY DIRECTOR OR AN INDEPENDENT DIRECTOR, BOTH PROPOSALS SHALL ATTACH A REPORT JUSTIFYING THE EXCEPTIONAL CAUSES WHICH MAKE HIS/HER REMOVAL NECESSARY OR ADVISABLE.

DIRECTORS ARE ALSO REQUIRED TO STEP DOWN:

A) WHEN THEY CEASE TO HOLD THE EXECUTIVE POSITION ASSOCIATED WITH THEIR APPOINTMENT TO THE BOARD.

B) WHEN THEY ARE IN BREACH OF ANY OF THE LEGALLY PROVIDED FOR CONFLICTS OF INTEREST OR PROHIBITIONS.

C) WHEN THEIR CONTINUED PRESENCE ON THE BOARD JEOPARDISES THE INTERESTS OF THE COMPANY OR WHEN THE REASONS FOR WHICH THEY WERE APPOINTED CEASE TO EXIST.

IN ACCORDANCE WITH ARTICLE 13 OF THE BOARD REGULATIONS, IF A DIRECTOR WERE DISMISSED BEFORE THE GENERAL MEETING IS HELD, THE BOARD MAY DESIGNATE A SUBSTITUTE, ALTHOUGH BOTH THE DISMISSAL AND APPOINTMENT MUST BE RATIFIED AT THE FIRST GENERAL SHAREHOLDERS' MEETING THEREAFTER.

DIRECTORS LEAVING THEIR OFFICE BEFORE THE END OF THEIR TENURE OR REMOVED FOR ANY OTHER REASON, MAY NOT PROVIDE SERVICES TO ANY OTHER ENTITY WITH A SIMILAR CORPORATE

PURPOSE TO THAT OF THE COMPANY FOR A PERIOD OF TWO YEARS, EXCEPT WHERE THE COMPANY IN QUESTION IS A RELATED PARTY. IF THE BOARD OF DIRECTORS DEEMS APPROPRIATE, IT MAY EXEMPT OUTGOING DIRECTORS FROM THIS NON-COMPETE CLAUSE OR SHORTEN THE LENGTH THEREOF.

B.1.20 Indicate under what circumstances directors are obliged to resign.

DIRECTORS ARE REQUIRED TO STEP DOWN:

A) WHEN THEY CEASE TO HOLD THE EXECUTIVE POSITION ASSOCIATED WITH THEIR APPOINTMENT TO THE BOARD.

B) WHEN THEY ARE IN BREACH OF ANY OF THE LEGALLY PROVIDED FOR CONFLICTS OF INTEREST OR PROHIBITIONS.

C) WHEN THEIR CONTINUED PRESENCE ON THE BOARD JEOPARDISES THE INTERESTS OF THE COMPANY OR WHEN THE REASONS FOR WHICH THEY WERE APPOINTED CEASE TO EXIST.

B.1.21 Explain whether the duties of chief executive officer fall upon the chairman of the board. If so, indicate the measures taken to limit the risk of the accumulation of powers in a single person:

Yes

Risk limitation measures
IN 2009 THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE GROUP'S GENERAL MANAGER SHARED THE GROUP'S EXECUTIVE DUTIES. IN ADDITION, THE CHAIRMAN OF THE BOARD OF DIRECTORS ASSUMES THE DUTIES INHERENT TO BOARD LEADERSHIP, NAMELY INSTITUTIONAL REPRESENTATION OF THE GROUP, STRATEGIC MANAGEMENT AND OVERSIGHT OF THE GROUP'S GENERAL MANAGER, WHO IS BROADLY EMPOWERED TO TAKE CHARGE OF THE GROUP'S DAILY BUSINESS AFFAIRS.

Indicate and explain whether the company has rules empowering an independent director to request the calling of board meetings or include new business on the agenda, to coordinate and give voice to the concerns of external directors, and to lead the board's evaluation.

Yes

Explanation of the rules
ARTICLE 20 OF THE COMPANY BYLAWS STATES THAT THE BOARD MAY AUTHORISE ONE OF ITS INDEPENDENT DIRECTORS ON A PERMANENT BASIS TO REQUEST THAT THE CHAIRMAN CALL A BOARD MEETING OR INCLUDE NEW ITEMS ON THE AGENDA WHEN THE PERSON HOLDING OFFICE AS CHAIRMAN IS AN EXECUTIVE DIRECTOR. ALTHOUGH THE BOARD HAS NOT EXERCISED THIS BYLAW-STIPULATED POWER, POLICY DICTATES THAT ANY DIRECTOR MAY REQUEST THE INCLUSION OF NEW ITEMS ON THE AGENDA, ADDRESSING SUCH REQUESTS TO THE SECRETARY OF THE BOARD.

B.1.22 Are qualified majorities other than those established by law required for certain decisions?

Yes

Indicate how the board of directors adopts resolutions, indicating at least the minimum quorum and the types of majorities required to pass resolutions:

Description of resolution:

(I) ADOPTION OF RESOLUTIONS RELATING TO MATTERS RESERVED TO THE BOARD UNDER ARTICLE 24 OF THE BYLAWS (WITH THE EXCEPTION OF THE APPOINTMENT AND DISMISSAL OF SENIOR EXECUTIVES UNDER THE PROVISIONS OF ARTICLE 24 D, WHICH SIMPLY REQUIRES A STRAIGHT MAJORITY)

(II) APPOINTMENT OF ONE OR MORE MANAGING DIRECTORS, AND

(III) AMENDMENT OF THE RULES GOVERNING ITS ORGANISATION.

Quorum	%
HALF PLUS ONE OF ITS MEMBERS	66.00

Type of majority	%
THE FAVOURABLE VOTE OF TWO-THIRDS OF THE MEMBERS OF THE BOARD	66.00

B.1.23 Explain if there are requirements, other than those for directors, for being appointed chairman.

No

B.1.24 Indicate whether the chairman has the casting vote:

No

B.1.25 Indicate whether the company bylaws or board regulations establish an age limit for directors:

No

Age limit for Chairman	Age limit for CEO	Age limit for directors
None	None	None

B.1.26 Indicate whether the company bylaws or the board regulations establish a limit on the term of office of independent directors:

No

Maximum number of years in office	No limit

B.1.27 If female directors are few or non-existent, state the reasons for this situation and the measures taken to correct it.

Explanation of reasons and measures taken
UNTIL NOW, THE SCANT NUMBER OF FEMALE DIRECTORS WITH THE APPROPRIATE SECTOR EXPERIENCE FOR THE POST HAS HINDERED THEIR APPOINTMENT.

Indicate whether the Nomination and Remuneration Committee has any procedures to ensure the process of filling board vacancies is not implicitly biased against female candidates and procedures designed to actively seek out female candidates that match the required profile:

No

Specify the main procedures

B.1.28 Indicate whether there are any formal processes for proxy voting at board meetings. If so, describe briefly.

THERE ARE NO FORMAL PROCESSES. HOWEVER, IN ACCORDANCE WITH ARTICLE 21 OF THE COMPANY BYLAWS, THE DELEGATION OF VOTES MUST BE INDICATED IN WRITING FOR EACH AND EVERY MEETING OF THE BOARD.

B.1.29 Indicate the number of meetings held by the Board of Directors during the year. Likewise, indicate the number of times, if any, the board has met in absence of its chairman:

Number of board meetings	9
Number of board meetings held in the absence of the chairman	0

Indicate the number of board committee meetings held during the year:

Number of executive committee meetings	0
Number of audit committee meetings	4
Number of nomination and remuneration committee meetings	3
Number of nomination committee meetings	0
Number of remuneration committee meetings	0

B.1.30 Indicate the number of meetings held by the Board of Directors during the year without attendance by all its members. In the calculation, include as absent all proxies without specific instructions:

Number of directors absent from meetings in the year	2
% of absenteeism over total votes in the year	0.002

B.1.31 Indicate whether the individual and consolidated accounts are certified prior to their presentation to the Board of Directors.

No

Identify, if appropriate, the person(s) certifying the individual and consolidated accounts for their approval by the board:

B.1.32 Explain the mechanisms, if any, established by the Board of Directors to avoid presenting a qualified report on the individual and consolidated accounts to the General Shareholders' Meeting.

FOLLOW-UP OF THE MOST SIGNIFICANT AND COMPLEX ACCOUNTING ISSUES IS PERFORMED BY THE AUDIT COMMITTEE. THE COMMITTEE DIRECTLY RECEIVES THE AUDITORS' REPORT IN RELATION TO POTENTIAL DISCREPANCIES REGARDING ACCOUNTING CRITERIA. SUBSEQUENTLY, AND PRIOR TO APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS FOR ISSUE BY THE BOARD, THE AUDIT COMMITTEE MAKES TIMELY DECISIONS REGARDING THE ACCOUNTING CRITERIA TO BE APPLIED IN ORDER TO AVOID ANY QUALIFICATIONS IN THE AUDIT REPORT.

B.1.33 Is the secretary to the board also a director?

No

B.1.34 Explain the procedure for the appointment or removal of the secretary to the board, indicating whether his or her appointment has been proposed by the Nomination Committee and approved by a full board meeting.

Procedures for appointment and removal
IN ACCORDANCE WITH THE AMENDMENT TO THE BOARD REGULATIONS PASSED IN 2007, THE NOMINATION AND REMUNERATION COMMITTEE SHALL PROPOSE THE APPOINTMENT AND REMOVAL OF THE SECRETARY TO THE BOARD. THE CURRENT SECRETARY TO THE BOARD WAS APPOINTED PRIOR TO THIS AMENDMENT.

Does the Nomination Committee propose the appointment?	Yes
Does the Nomination Committee propose the removal?	Yes
Is the appointment approved at a full board meeting?	Yes
Is the removal approved at a full board meeting?	Yes

Does the secretary to the board have the specific duty of overseeing good governance recommendations?

Yes

Comments
IN PRACTICE THE SECRETARY OVERSEES COMPLIANCE WITH GOOD GOVERNANCE RECOMMENDATIONS, WITHOUT PREJUDICE TO THE FACT THAT THIS FUNCTION FALLS TO THE AUDIT COMMITTEE UNDER THE BYLAWS AND BOARD REGULATIONS.

B.1.35 Indicate the mechanisms, if any, established by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

THE AUDIT COMMITTEE IS THE MAIN BODY CHARGED WITH PRESERVATION OF THE INDEPENDENCE OF THE COMPANY'S AUDITOR. THIS COMMITTEE IS CURRENTLY MADE UP OF TWO INDEPENDENT DIRECTORS AND ONE EXTERNAL PROPRIETARY DIRECTOR. THE COMMITTEE IS CHAIRED BY ONE OF THE INDEPENDENT DIRECTORS.

THE DUTIES OF THE AUDIT COMMITTEE INCLUDE PROPOSING TO THE BOARD OF DIRECTORS, FOR SUBMISSION TO THE GENERAL SHAREHOLDERS' MEETING, THE APPOINTMENT, DISMISSAL AND RE-APPOINTMENT OF EXTERNAL AUDITORS, AS WELL AS THE TERMS OF THEIR ENGAGEMENT. IT IS ALSO RESPONSIBLE FOR MANAGING THE RELATIONSHIP AND SERVING AS A COMMUNICATIONS CHANNEL WITH THE EXTERNAL AUDITORS IN ORDER TO ADDRESS ISSUES WHICH COULD JEOPARDISE THE LATTER'S INDEPENDENCE.

IN RELATION TO THE INDEPENDENCE OF FINANCIAL ANALYSTS AND INVESTMENT BANKS, THE BOARD OF DIRECTORS AND THE COMPANY'S FINANCE DEPARTMENT ARE SENSITIVE TO THEIR NEED FOR INDEPENDENCE. THE BOARD SEEKS TO AVOID SITUATIONS THAT COULD COMPROMISE THEIR INDEPENDENCE. HOWEVER, THE COMPANY CANNOT CONTROL THE MECHANISMS THAT NEED TO BE PUT IN PLACE AT EACH OF THESE ENTITIES TO ENSURE THEIR INDEPENDENCE.

THE COMPANY'S ETHICS CODE BANS ACTIONS THAT COULD BENEFIT PERSONS OR INSTITUTIONS THAT ARE RELATED TO CAMPOFRIO AND THAT COULD HAVE AN IMPROPER INFLUENCE ON ITS DECISION-MAKING PROCESSES OR ON THE RELATIONSHIP ITSELF.

ACCORDINGLY, EACH YEAR THE COMPANY'S DIRECTORS AND EXECUTIVES ARE SENT A FORM TO FILL OUT THAT IS DESIGNED TO IDENTIFY POTENTIAL RELATED PARTY TRANSACTIONS THAT MAY INVOLVE THEM; IF ANY SUCH TRANSACTIONS ARE IDENTIFIED, THE UTMOST CARE IS TAKEN WITH RESPECT TO THE PERTINENT DECISIONS AND THE PERSON INVOICED IS REMOVED FROM THE DECISION-MAKING PROCESS. ALL DIRECTORS, EXECUTIVES AND EMPLOYEES ARE BOUND TO ABSTAIN FROM INFLUENCING OR TAKING FINANCING DECISIONS OR UNDERTAKING TRANSACTIONS WITH THIRD PARTIES WITH WHOM THEY OR A CLOSE RELATIVE MAY BE RELATED.

B.1.36 Indicate whether the company has changed external auditor during the year. If so, identify the outgoing and incoming auditor:

No

Outgoing auditor	Incoming auditor

In the event of disagreements with the outgoing auditor, explain the substance:

None

B.1.37 Indicate whether the auditing firm does non-audit work for the company and/or its group. If so, state the fees it receives for such work and the percentage represented by such fees of the total fees invoiced to the company and/or its group.

Yes

	Company	Group	Total
Fees for non-audit work (in thousands of euros)	557	344	901
Fees for non-audit work / total amount invoiced by the auditing firm	67.00	28.00	44,00

B.1.38 Indicate whether the audit of the annual financial statements of the preceding year contained any reservations or qualifications. If so, indicate the account given to shareholders by the Chairman of the Audit Committee of their scope and content.

No

B.1.39 Indicate how many consecutive years the current auditing firm has been auditing the annual financial statements of the company and/or its group. Likewise, indicate how many years the current auditing firm has been auditing the financial statements as a percentage of the total number of years for which the annual accounts have been audited:

	Company	Group
Number of consecutive years	9	9

	Company	Group
Number of years audited by the current audit firm / number of years the company financial statements have been audited (%)	47,3	47,3

B.1.40 List the shareholdings of the members of the company's board of directors in other companies having identical, similar or complementary activities to those of the company and/or its group, of which the company has been notified. Likewise, list the posts or duties they hold in such companies:

Name or company name of director	Name of the company	% shareholding	Post or duties
PEDRO JOSE BALLVE LANTERO	TELE PIZZA S.A.	22.500	CHAIRMAN OF THE BOARD
PEDRO JOSE BALLVÉ LANTERO	DESARROLLO GANADERO ESPAÑOL S.A.	38.170	-
CHARLES LARRY POPE	SMITHFIELD FOODS, INC.	0.250	CHAIRMAN & CEO
LUIS SERRANO MARTÍN	CASA DEL ARMIÑO SA	0.655	-
LUIS SERRANO MARTÍN	GRUPO LECHE PASCUAL	0.000	DIRECTOR
LUIS SERRANO MARTÍN	AGROIBERICOS DERAZA SL	1.286	-
LUIS SERRANO MARTIN	BAÑUSTE AGROPECUARIA SA	0.386	-
RICHARD JASPER POULSON	SMITHFIELD FOODS, INC.	0.060	EXECUTIVE VICE-CHAIRMAN

B.1.41 Indicate whether there are procedures in place for directors to receive external advice:

Yes

Details of the procedure
IN ACCORDANCE WITH ARTICLE 12 OF THE BOARD REGULATIONS, THE "SECRETARY SHALL ASSIST THE CHAIRMAN IN HIS/HER TASKS AND MUST SEE THAT THE BOARD FUNCTIONS PROPERLY, ENSURING, IN PARTICULAR, THAT DIRECTORS RECEIVE THE NECESSARY COUNSELLING AND INFORMATION, KEEPING A RECORD OF CORPORATE DOCUMENTS, DULY RECORDING THE EVENTS OF MEETINGS IN THE CORRESPONDING MINUTES BOOKS AND WITNESSING BOARD RESOLUTIONS". IN ADDITION, IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 17 OF THE SAME RULES, EACH DIRECTOR IS ENTITLED TO RECEIVE ALL INFORMATION DEEMED REASONABLY NECESSARY TO FULFIL THE DUTIES OF HIS/HER POST AS WELL AND EFFICIENTLY AS POSSIBLE, TO WHICH END HE/SHE MAY STATE SUCH REQUIREMENTS TO THE CHAIRMAN OR SECRETARY OF THE

BOARD, WITH THE ADVANCE NOTICE WARRANTED IN EACH SITUATION. LASTLY, ARTICLE 26 OF THE BOARD REGULATIONS PROVIDES THAT "IN ORDER TO RECEIVE ASSISTANCE IN THE DISCHARGE OF THEIR DUTIES, THE BOARD OF DIRECTORS MAY REQUEST THE ATTENDANCE OF LEGAL, ACCOUNTING OR FINANCIAL ADVISORS, OR OTHER EXPERTS, AT MEETINGS". FROM VARIOUS BOARD REGULATION ARTICLES IT CAN BE DEDUCED THAT, ON THE ONE HAND, THE DIRECTORS RECEIVE THE COUNSEL NECESSARY FROM THE SECRETARY TO DISCHARGE THEIR DUTIES, IN RELATION TO MATTERS WHICH IN THE LATTER'S CAPACITY AS LEGAL ADVISOR ARE AN INTEGRAL PART OF HIS/HER JOB AND ARE INHERENT TO THE BOARD'S CORRECT FUNCTIONING. SUCH COUNSEL CAN BE REQUESTED OF THE CHAIRMAN OR DIRECTLY OF THE BOARD SECRETARY. IN ADDITION TO COUNSEL FROM THE SECRETARY, THE DIRECTORS ARE ENTITLED TO REQUEST THE ATTENDANCE AT BOARD MEETINGS OF LEGAL, ACCOUNTING, FINANCIAL OR OTHER EXPERTS, WHOSE PRESENCE SHALL BE FORMALISED BY AN INVITATION FROM THE CHAIRMAN OR SECRETARY TO THE BOARD. THE BOARD REGULATIONS DO NOT SET FORTH A SPECIFIC CHANNEL FOR REQUESTING THE COUNSEL OF EXPERT CONSULTANTS; ACCORDINGLY THE GENERAL CHANNEL ESTABLISHED FOR BROAD ADVISORY IS DEEMED APPLICABLE.

B.1.42 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for the meetings of the governing bodies:

Yes

Details of the procedure
IN ADDITION TO THE RELEVANT DULY SUMMARISED AND PREPARED INFORMATION RELATING TO THE BOARD MEETING AGENDAS, ARTICLE 25 OF THE BOARD REGULATIONS EXPRESSLY GRANTS DIRECTORS THE BROADEST POWERS TO KEEP ABREAST OF COMPANY'S ISSUES, TO EXAMINE ITS BOOKS, RECORDS, DOCUMENTS AND OTHER DATA IN RELATION TO CORPORATE TRANSACTIONS AND TO INSPECT ALL ITS FACILITIES. THIS RIGHT TO INFORMATION APPLIES TO ALL COMPANY SUBSIDIARIES,

WHETHER SPANISH OR FOREIGN. THE EXERCISE OF THIS RIGHT IS CHANNELLED THROUGH THE CHAIRMAN, VICE CHAIRMAN OR SECRETARY, WHO PROVIDE THE APPROPRIATE EXPERTS WHEN DOING SO IS OF INTEREST TO THE DIRECTOR. IN PRACTICE, AND PURSUANT TO A FORMAL POLICY ADOPTED BY THE BOARD, ITS MEMBERS ARE REQUESTED TO CHANNEL REQUESTS TO ADD ISSUES TO THE BOARD AGENDA OR FOR ANY INFORMATION NECESSARY TO FOLLOW UP ON TOPICS DISCUSSED IN PRIOR BOARD MEETINGS THROUGH THE SECRETARY TO THE BOARD.

B.1.43 Indicate whether the company has any rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation and tendering their resignation as the case may be:

Yes

Explain the rules
THE COMPANY HAS ESTABLISHED SUCH RULES IN ARTICLES 23 AND 38 OF THE BOARD REGULATIONS, THE TEXT OF WHICH IS REPRODUCED BELOW: ARTICLE 38 OF THE BOARD REGULATIONS STIPULATES THAT "THE DIRECTOR SHALL NOTIFY THE COMPANY OF ANY SIGNIFICANT CHANGES IN HIS/HER PROFESSIONAL SITUATION THAT AFFECT THE TERMS UPON WHICH HE/SHE WAS APPOINTED AS DIRECTOR. THE DIRECTOR SHALL ALSO INFORM THE COMPANY OF ANY CLAIM, WHETHER JUDICIAL, ADMINISTRATIVE OR OTHERWISE, IN WHICH HE/SHE MAY BE INVOLVED AND WHOSE SIGNIFICANCE MAY SERIOUSLY HARM THE REPUTATION OF THE COMPANY." ARTICLE 23.C OF THE BOARD REGULATIONS STIPULATES AS GROUNDS FOR DISMISSAL THE SITUATION WHERE A DIRECTOR'S CONTINUED PRESENCE ON THE BOARD JEOPARDISES THE INTERESTS OF THE COMPANY OR WHEN THE REASONS FOR WHICH THEY WERE APPOINTED CEASE TO EXIST.

B.1.44 Indicate whether a member of the board of directors has notified the company that he or she has been indicted or tried for any of the crimes stated in article 124 of the Spanish Companies Act:

No

Indicate whether the board of directors has studied the case. If so, explain the reasons behind the decision taken on whether or not he or she should be called on to resign.

No

Decision taken	Reason given

B.2. Committees to the Board of Directors

B.2.1 List the board committees and their members:

AUDIT COMMITTEE

Name	Position	Directorship
JUAN JOSÉ GUIBELALDE IÑURRITEGUI	CHAIRMAN	INDEPENDENT
GUILLERMO DE LA DEHESA ROMERO	MEMBER	INDEPENDENT
LUIS SERRANO MARTÍN	MEMBER	PROPRIETARY

NOMINATION AND REMUNERATION COMMITTEE

Name	Position	Directorship
GUILLERMO DE LA DEHESA ROMERO	CHAIRMAN	INDEPENDENT
CHARLES LARRY POPE	MEMBER	PROPRIETARY
JUAN JOSE GUIBELALDE IÑURRITEGUI	MEMBER	INDEPENDENT
KARIM MICHAEL KHAIRALLAH	MEMBER	PROPRIETARY
YIANNIS PETRIDES	MEMBER	INDEPENDENT

STRATEGY AND INVESTMENT COMMITTEE

Name	Position	Directorship
YIANNIS PETRIDES	CHAIRMAN	INDEPENDENT
CALEB SAMUEL KRAMER	MEMBER	PROPRIETARY
LUIS SERRANO MARTÍN	MEMBER	PROPRIETARY
RICHARD JASPER POULSON	MEMBER	PROPRIETARY

B.2.2 State whether the Audit Committee's responsibilities include:

Monitoring the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.	Yes
Reviewing internal control and risk management systems on a regular basis, so the main risks are properly identified, managed and disclosed.	Yes
Monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, reappointment and removal of the head of internal audit; proposing the department's budget; receiving regular report-backs on its activities; and verifying that senior management is acting on the findings and recommendations of its reports.	Yes
Establishing and supervising a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.	Yes
Making recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement.	Yes
Receiving regular information from the external auditor on the progress and findings of the audit program, and checking that senior management is acting on its recommendations.	Yes
Ensuring the independence of the external auditor.	Yes
In the case of groups, the committee should urge the group auditor to take on the auditing of all component companies.	Yes

B.2.3 Describe the organisational and operational rules and the responsibilities attributed to each of the board committees.

Committee name

STRATEGY AND INVESTMENT COMMITTEE

Brief description

UNDER THE PROVISIONS OF ARTICLE 24 OF THE COMPANY'S BYLAWS AND ARTICLE 14 OF THE BOARD REGULATIONS, IT WAS AGREED TO SET UP A STRATEGY AND INVESTMENT COMMITTEE

UNDER THE ANALOGOUS ORGANISATIONAL AND OPERATIONAL REGIME PROVIDED FOR IN THE RULES ESTABLISHED IN THE BOARD REGULATIONS FOR THE NOMINATION AND REMUNERATION COMMITTEE. THE FUNCTIONS ATTRIBUTED TO THE STRATEGY COMMITTEE ARE AS FOLLOWS:

-ANALYSING, PROPOSING AND REPORTING TO THE BOARD ON ALL STRATEGIC, INVESTMENT AND DISPOSAL RELATED DECISIONS OF RELEVANCE TO THE COMPANY AND/OR ITS GROUP, AND THEIR ASSESSMENT IN RELATION TO THE COMPANY'S BUDGET AND STRATEGIC PLANNING FUNCTIONS.

-BUSINESS RISK ANALYSIS AND OVERSIGHT.

-PREPARATION AND PRESENTATION TO THE BOARD OF STRATEGIC ANALYSIS OF THE GROUP'S OPERATIONS AND BUSINESSES.

NONETHELESS, THE ABOVE LISTED FUNCTIONS ARE UNDERSTOOD TO BE WITHOUT PREJUDICE TO THE BOARD'S POWERS TO DEFINE AND FOSTER THE COMPANY'S STRATEGIC POLICY AND INVESTMENTS, SPECIFICALLY, BUT NOT LIMITED TO, MATTERS RESERVED TO THE FULL BOARD IN ACCORDANCE WITH ARTICLE 24 OF THE BYLAWS WHICH INCLUDE (I) DECISION-MAKING IN CONNECTION WITH INVESTMENTS IN, THE ACQUISITION OR SALE OF ASSETS OR OPERATIONS WHICH ON ACCOUNT OF THEIR SIZE OF OTHER SPECIAL CHARACTERISTICS ARE STRATEGIC IN NATURE, AND (II) DEFINITION AND APPROVAL OF THE BROAD POLICIES AND STRATEGIES TO BE FOLLOWED BY THE COMPANY, PARTICULARLY IN RELATION TO THE FOLLOWING MATTERS: (A) THE BUSINESS OR STRATEGIC PLAN, MANAGEMENT TARGETS AND ANNUAL BUDGETS; (B) INVESTMENT AND FINANCING POLICY; (C) DEFINITION OF THE GROUP'S CORPORATE STRUCTURE; (D) CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY POLICY; (E) SENIOR MANAGEMENT EVALUATION AND COMPENSATION; (F) RISK CONTROL AND MANAGEMENT; (G) DIVIDEND AND TREASURY SHARE POLICY.

Committee name

NOMINATION AND COMPENSATION COMMITTEE

Brief description

THE NOMINATION AND REMUNERATION COMMITTEE, PURSUANT TO THE REGULATIONS OF THE BOARD OF DIRECTORS, SHALL BE COMPOSED OF A MINIMUM OF THREE AND A MAXIMUM OF FIVE

MEMBERS. PRESENTLY, IT IS COMPOSED OF FIVE MEMBERS.

THE BOARD OF DIRECTORS DECIDES ON THE APPOINTMENT AND, WHERE APPROPRIATE, DISMISSAL OF THE MEMBERS OF THE NOMINATION AND REMUNERATION COMMITTEE, OBLIGED IN ALL INSTANCES TO JUSTIFY THE GROUNDS FOR ANY DISMISSAL.

THE BOARD OF DIRECTORS APPOINTS THE COMMITTEE CHAIRMAN, PREFERABLY AN INDEPENDENT DIRECTOR. THE COMMITTEE ITSELF APPOINTS ITS SECRETARY, WHO NEED NOT BE A DIRECTOR.

THE TENURE FOR WHICH COMMITTEE MEMBERS ARE APPOINTED SHALL COINCIDE WITH THE TERMS OF THEIR DIRECTORSHIPS, AND THEY MAY BE RE-ELECTED ONE OR MORE TIMES FOR SIMILAR PERIODS. EFFECTIVENESS OF HIS/HER POST IS HOWEVER CONTINGENT UPON HIS/HER CONTINUED DIRECTORSHIP.

THE COMMITTEE HOLDS MEETINGS AT THE BEHEST OF ITS CHAIRMAN, ON ITS OWN INITIATIVE OR AT THE REQUEST OF AT LEAST TWO OF ITS MEMBERS OR THE BOARD OF DIRECTORS, IN WHICH CASE THE PETITION SHALL BE ADDRESSED TO THE COMMITTEE CHAIRMAN, DETAILING THE PROPOSED AGENDA.

COMMITTEE MEETINGS ARE CALLED BY ITS CHAIR OR, AT HIS/HER BEHEST, BY ITS SECRETARY, WITH AT LEAST TWO DAYS' PRIOR NOTICE, BY LETTER, FACSIMILE, TELEGRAM, ELECTRONIC MAIL OR IN ANY OTHER WRITTEN FORM.

COMMITTEE MEETINGS ARE HELD AT THE REGISTERED BUSINESS ADDRESS OR IN ANY OTHER OF THE COMPANY'S REGISTERED ADDRESSES, IN THE PLACE DETERMINED BY THE COMMITTEE CHAIR, OR AT HIS/HER BEHEST, BY ITS SECRETARY, WHICH LOCATION SHALL BE SPECIFIED IN THE MEETING CALL.

COMMITTEE SESSIONS ARE VALIDLY CALLED TO ORDER WHEN HALF ITS MEMBERS PLUS ONE ARE IN ATTENDANCE, BE IT IN PERSON OR BY VALID PROXY. PROXY REPRESENTATION SHALL BE BESTOWED ON ANOTHER MEMBER OF THE COMMITTEE, IN WRITING AND ADDRESSED TO THE CHAIRMAN.

THE MEMBERS OF THE COMMITTEE SHALL REPORT TO THE BOARD ON THEIR ACTIVITY AT THE FIRST FULL BOARD MEETING FOLLOWING COMMITTEE MEETINGS, DETAILING WORK PERFORMED AND SENDING COPIES OF THE MINUTES OF MEETINGS TO ALL DIRECTORS.

THE COMMITTEE'S DUTIES, PURSUANT TO THE BOARD

REGULATIONS, ARE:

(I) TO PROPOSE TO THE BOARD OF DIRECTORS THE ELECTION, RE-ELECTION OR DISMISSAL OF INDEPENDENT DIRECTORS, BASED ON A LIST PREPARED BY OUTSIDE EXPERTS IF SO REQUIRED BY ANY DIRECTOR.

(II) TO REPORT IN ADVANCE ON ALL PROPOSALS MADE BY THE BOARD OF DIRECTORS TO THE GENERAL SHAREHOLDERS' MEETING IN RELATION TO THE RE-ELECTION OF DIRECTORS, EVEN IN INSTANCES OF CO-OPTION BY THE BOARD OF DIRECTORS, ASSESSING JOB PERFORMANCE AND COMMITMENT.

PROPOSALS TO RE-ELECT EXTERNAL INDEPENDENT DIRECTORS MAY NOT BE MADE WITHOUT A COMMITTEE REPORT CONFIRMING THAT UPON RE-ELECTION NONE OF THE CIRCUMSTANCES LISTED IN ARTICLE 19 OF THE BOARD REGULATIONS IS MET.

(III) TO REPORT TO THE BOARD OF DIRECTORS ON PROPOSALS TO DISMISS DIRECTORS WHICH, IN THE CASE OF PROPRIETARY OR INDEPENDENT DIRECTORS, MUST BE ACCOMPANIED BY A REPORT JUSTIFYING THE EXCEPTIONAL GROUNDS MAKING THE DISMISSAL NECESSARY OR ADVISABLE.

(IV) TO REPORT, IN ADVANCE, ON ALL PROPOSALS BY THE BOARD OF DIRECTORS TO THE GENERAL SHAREHOLDERS' MEETING IN RELATION TO THE APPOINTMENT OF DIRECTORS, CONSIDERING THE CANDIDATE'S PERSONAL AND PROFESSIONAL CREDENTIALS, AS WELL AS THE NEEDS OF THE COMPANY'S GOVERNING BODIES AT ANY POINT IN TIME.

(V) TO MAKE PROPOSALS TO THE BOARD OF DIRECTORS REGARDING THE REMUNERATION POLICY FOR DIRECTORS AND SENIOR OFFICERS, THE INDIVIDUAL REMUNERATION OF EXECUTIVE DIRECTORS AND OTHER RELATED CONTRACTUAL CONDITIONS AND THE STANDARD CONDITIONS FOR SENIOR OFFICER EMPLOYMENT CONTRACTS, AND TO OVERSEE COMPLIANCE WITH THE REMUNERATION POLICY SET BY THE COMPANY.

(VI) TO REPORT ON ALL PROPOSALS TO BE SUBMITTED TO THE BOARD OF DIRECTORS ON MATTERS CONCERNING DIRECTOR APPOINTMENTS, INCLUDING THE APPOINTMENT OF ONE OR MORE CHIEF EXECUTIVES OR MANAGING DIRECTORS, THE APPOINTMENT OR REMOVAL OF THE SECRETARY OF THE BOARD, TAKING INTO CONSIDERATION LEGAL, BYLAW-STIPULATED AND INTERNAL REQUIREMENTS IN CONNECTION WITH THE CANDIDATES.

(VII) TO REPORT ON ANY PROPOSED RESOLUTIONS SUBMITTED TO THE BOARD OF DIRECTORS REGARDING THE APPOINTMENT AND DISMISSAL OF SENIOR OFFICERS.

(VIII) ANY OTHER FUNCTIONS WITHIN ITS REMIT AS REQUESTED BY THE BOARD OF DIRECTORS OR ITS CHAIRMAN.

FOR THE PURPOSES SET OUT ABOVE, ANY DIRECTOR MAY PUT FORWARD DIRECTORSHIP CANDIDATES TO THE COMMITTEE FOR ITS CONSIDERATION.

Committee name

AUDIT COMMITTEE

Brief description

PURSUANT TO THE PROVISIONS OF THE COMPANY BYLAWS, THE COMPANY'S AUDIT COMMITTEE IS COMPOSED OF A MINIMUM OF THREE AND A MAXIMUM OF FIVE MEMBERS, AT THE DISCRETION OF THE COMPANY'S BOARD OF DIRECTORS.

PRESENTLY, IT IS COMPOSED OF THREE MEMBERS. ARTICLE 24 BIS OF THE COMPANY BYLAWS STIPULATES THAT THE BOARD OF DIRECTORS SHALL APPOINT THE MEMBERS OF THE AUDIT COMMITTEE FROM AMONG ITS MEMBERS, THE MAJORITY OF WHICH, AT A MINIMUM, SHOULD BE NON-EXECUTIVE EXTERNAL, INDEPENDENT OR PROPRIETARY DIRECTORS.

THE AUDIT COMMITTEE IS CURRENTLY COMPOSED ENTIRELY OF EXTERNAL INDEPENDENT OR PROPRIETARY DIRECTORS, IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE UNIFIED CODE OF CORPORATE GOVERNANCE.

THE AUDIT COMMITTEE APPOINTS ITS CHAIRMAN FROM AMONG ITS NON-EXECUTIVE OR EXTERNAL MEMBERS, AS WELL AS THE SECRETARY, WHO NEED NOT BE A DIRECTOR. PRESENTLY, JOSÉ GUIBELALDE IÑURRITEGUI IS THE CHAIRMAN AND ALFREDO SANFÉLIZ, SECRETARY OF THE BOARD, IS THE COMMITTEE'S SECRETARY.

THE COMMITTEE HOLDS MEETINGS AT THE BEHEST OF ITS CHAIRMAN, ON ITS OWN INITIATIVE OR AT THE REQUEST OF AT LEAST TWO OF ITS MEMBERS OR OF THE BOARD OF DIRECTORS, IN WHICH CASE THE PETITION SHALL BE ADDRESSED TO THE COMMITTEE CHAIRMAN, DETAILING THE PROPOSED AGENDA. COMMITTEE MEETINGS ARE CALLED BY ITS CHAIR OR, AT HIS/HER BEHEST, BY ITS SECRETARY, WITH AT LEAST TWO DAYS' PRIOR

NOTICE, BY LETTER, FACSIMILE, TELEGRAM, ELECTRONIC MAIL OR IN ANY OTHER WRITTEN FORM.

COMMITTEE SESSIONS ARE VALIDLY CALLED TO ORDER WHEN HALF ITS MEMBERS PLUS ONE ARE IN ATTENDANCE, BE IT IN PERSON OR BY VALID PROXY. PROXY REPRESENTATION SHALL BE BESTOWED ON ANOTHER MEMBER OF THE COMMITTEE IN WRITING.

THE CHAIRMAN IS TASKED WITH RUNNING DEBATES AND DISCUSSIONS, GRANTING THE FLOOR, AS HE CONSIDERS APPROPRIATE.

DIRECTORS WHO ARE NOT MEMBERS OF THE COMMITTEE, MEMBERS OF THE MANAGEMENT TEAM AND EMPLOYEES ARE OBLIGED TO ASSIST AND REPORT TO THE AUDIT COMMITTEE, AT THE BEHEST OF ITS CHAIRMAN, OR AT THE CHAIRMAN'S BEHEST, BY THE COMMITTEE SECRETARY, ON SUBJECTS FALLING UNDER THE COMMITTEE'S REMIT.

RESOLUTIONS ARE RATIFIED BY THE MAJORITY OF MEMBERS PRESENT IN PERSON OR BY PROXY. IN THE EVENT OF A DRAW, THE CHAIRMAN SHALL HAVE THE CASTING VOTE. THE SECRETARY SHALL PREPARE THE MINUTES FROM THE MEETINGS, WHICH SHALL BE APPROVED ONCE THE SESSION IS ADJOURNED OR IN THE VERY NEXT MEETING. THE MINUTES ARE TRANSCRIBED TO A SPECIAL MINUTES REGISTER BOOK FOR RESOLUTIONS AND DECISIONS ADOPTED BY THE AUDIT COMMITTEE.

THE COMPANY BYLAWS EMPOWER THE AUDIT COMMITTEE TO REGULATE ITSELF IN RELATION TO ALL ISSUES NOT EXPRESSLY PROVIDED FOR THEREIN. HOWEVER, THE COMMITTEE HAS NOT EXERCISED THIS POWER YET AS IT HAS DEEMED SO DOING UNNECESSARY.

THE AUDIT COMMITTEE'S STATUTORY FUNCTIONS ARE AS FOLLOWS:

I) WITH RESPECT TO THE INFORMATION AND INTERNAL CONTROL SYSTEMS, TO OVERSEE THE INTERNAL AUDIT SERVICES AND REMAIN ABREAST OF THE COMPANY'S FINANCIAL INFORMATION PROCESSES AND INTERNAL CONTROL SYSTEMS, A ROLE WHICH EXTENDS TO:

A) OVERSEEING THE PROCESS OF PREPARING AND THE INTEGRITY OF THE FINANCIAL INFORMATION RELATING TO THE COMPANY, AND WHERE APPLICABLE, TO THE GROUP, CHECKING COMPLIANCE WITH

THE APPLICABLE STATUTORY REQUIREMENTS AND THE CORRECT CONSOLIDATION OF ACCOUNTS AND APPLICATION OF ACCOUNTING RULES.

B) PERIODICALLY REVIEWING THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS SO THAT THE MAIN RISKS ARE IDENTIFIED AND APPROPRIATELY REPORTED.

C) ENSURING THE INDEPENDENCE AND EFFECTIVENESS OF THE COMPANY'S INTERNAL AUDIT.

D) ESTABLISHING A MECHANISM ALLOWING EMPLOYEES TO REPORT ON A CONFIDENTIAL BASIS ANY IRREGULARITIES OF POTENTIAL SIGNIFICANCE IN FINANCIAL AND ACCOUNTING TERMS THAT THEY MAY HAVE NOTED AT THE COMPANY.

II) WITH RESPECT TO THE COMPANY'S EXTERNAL AUDITORS:

A) SUBMITTING TO THE BOARD OF DIRECTORS, FOR SUBSEQUENT REFERRAL TO THE GENERAL SHAREHOLDERS MEETING, ANY PROPOSALS FOR THE SELECTION, APPOINTMENT, RE-ELECTION AND REPLACEMENT OF THE EXTERNAL AUDITOR, AS WELL AS THE TERMS AND CONDITIONS FOR THEIR ENGAGEMENT.

B) RECEIVING INFORMATION ON A REGULAR BASIS FROM THE EXTERNAL AUDITOR ON THE AUDIT PLAN AND RESULTS FOR THE YEAR, AND CHECKING THAT SENIOR MANAGEMENT TAKES INTO ACCOUNT ANY RECOMMENDATIONS.

C) ENSURING THE INDEPENDENCE OF THE EXTERNAL AUDITOR, ENSURING TO SUCH END THAT: (I) THAT THE COMPANY NOTIFIES THE NATIONAL SECURITIES MARKET REGULATOR, BY MEANS OF SIGNIFICANT EVENT FILING, OF THE CHANGE IN AUDITOR, WHERE APPLICABLE APPENDING A STATEMENT WITH RESPECT TO THE EXISTENCE OF DISAGREEMENT WITH THE OUTGOING AUDITOR; (II) THAT THE NECESSARY MEASURES ARE TAKEN TO ENSURE THAT THE COMPANY AND THE AUDITORS RESPECT THE APPLICABLE REGULATIONS GOVERNING THE PERFORMANCE OF SERVICES OTHER THAN AUDITING SERVICES, LIMITS ON THE AMOUNT OF BUSINESS CONCENTRATED AT THE AUDITOR, AND IN GENERAL, THE RULES ESTABLISHED FOR ENSURING THE INDEPENDENCE OF THE AUDITOR; AND (III) IN THE EVENT OF RESIGNATION OF THE EXTERNAL AUDITOR, THAT THE CIRCUMSTANCES LEADING TO SUCH RESIGNATION ARE EXAMINED.

D) ENCOURAGING THE ASSUMPTION BY THE AUDITOR OF THE

COMPANY GROUP THE AUDITING OBLIGATIONS OF THE COMPANIES FORMING SUCH GROUP.

E) IN GENERAL, MANAGING THE RELATIONSHIP AND SERVING AS A COMMUNICATIONS CHANNEL WITH THE EXTERNAL AUDITORS IN ORDER TO REMAIN ABREAST OF ISSUES WHICH COULD JEOPARDISE THE LATTER'S INDEPENDENCE AND ANY OTHER MATTERS RELATED TO THE ACCOUNT AUDITING PROCESS, AS WELL AS COMMUNICATING ANY OTHER MATTERS PROVIDED FOR IN PREVAILING AUDITING LEGISLATION AND ACCOUNTING STANDARDS.

III) WITH RESPECT TO CORPORATE GOVERNANCE, OVERSEEING COMPLIANCE WITH THE COMPANY'S INTERNAL CODES OF CONDUCT AND PREVAILING CORPORATE GOVERNANCE RULES ESTABLISHED BY THE COMPANY.

IV) WITH RESPECT TO REPORTING TO THE COMPANY'S MANAGEMENT BODIES:

A) REPORTING AT THE GENERAL SHAREHOLDERS' MEETING ON THOSE MATTERS RAISED BY SHAREHOLDERS CONCERNING THE AREAS FALLING UNDER ITS REMIT.

B) REPORTING TO THE BOARD OF DIRECTORS, PRIOR TO ITS ADOPTION OF THE RELEVANT RESOLUTIONS, ON THE FOLLOWING MATTERS: (I) THE FINANCIAL INFORMATION THAT THE COMPANY, AS A LISTED COMPANY, MUST PUBLISH ON A PERIODIC BASIS; (II) THE CREATION OR ACQUISITION OF HOLDINGS IN SPECIAL PURPOSE VEHICLES OR COMPANIES DOMICILED IN TAX HAVENS, AS WELL AS ANY OTHER TRANSACTIONS OR OPERATIONS OF A SIMILAR NATURE, WHICH ON ACCOUNT OF THEIR COMPLEXITY MAY UNDERMINE TRANSPARENCY AT THE GROUP; (III) RELATED-PARTY TRANSACTIONS.

B.2.4 Indicate advisory or consulting powers and, where applicable, the powers delegated to each of the committees:

Committee name

STRATEGY AND INVESTMENT COMMITTEE

Brief description

ANALYSIS, PROPOSALS AND REPORTS TO THE BOARD ON ALL STRATEGIC, INVESTMENT AND DISPOSAL RELATED DECISIONS OF RELEVANCE TO THE COMPANY AND/OR ITS GROUP, AND THEIR

ASSESSMENT IN RELATION TO THE COMPANY'S BUDGET AND STRATEGIC PLANNING FUNCTIONS AND PRESENTATION TO THE BOARD OF ITS STRATEGIC ANALYSIS OF THE GROUP'S OPERATIONS AND BUSINESS.

Committee name

NOMINATION AND REMUNERATION COMMITTEE

Brief description

WITHIN THE SCOPE OF THE DUTIES LISTED ABOVE, IN ADDITION TO THE PREPARATION OF PROPOSALS AND REPORTS, THE ROLE OF THE COMMITTEE CAN BE GENERALLY DESCRIBED AS CONSULTATIVE, ADVISORY AND INFORMATIVE.

Committee name

AUDIT COMMITTEE

Brief description

WITHOUT PREJUDICE TO THE POWERS VESTED IN IT BY LAW OR BY VIRTUE OF THE COMPANY BYLAWS, THE AUDIT COMMITTEE PROVIDES GENERAL ADVISORY SERVICES IN MATTERS FALLING UNDER ITS REMIT.

B.2.5 Indicate, if applicable, any regulations governing the Board committees, where they are made available for consultation and any amendments to the same made during the financial year. Also indicate whether any annual report has been voluntarily drawn up on the activities of each committee.

Committee name

STRATEGY AND INVESTMENT COMMITTEE

Brief description

THE STRATEGY AND INVESTMENT COMMITTEE IS NOT SELF-REGULATED. THE COMMITTEE ITSELF HAS NOT DEEMED IT NECESSARY TO EXERCISE ITS RIGHT TO SELF-REGULATION.

THE RULES GOVERNING THE COMMITTEE ARE SET FORTH IN ARTICLE 24 OF THE BYLAWS.

ALL THESE RULES ARE AVAILABLE ON THE COMPANY'S WEBSITE.

Committee name

NOMINATION AND REMUNERATION COMMITTEE

Brief description

THE RULES GOVERNING THE NOMINATION AND REMUNERATION COMMITTEE ARE SET FORTH IN ARTICLE 24 OF THE BYLAWS AND IN SEVERAL ARTICLES OF THE BOARD REGULATIONS.

THE NOMINATION AND REMUNERATION COMMITTEE DOES NOT HAVE ITS OWN REGULATIONS. THE COMMITTEE ITSELF HAS NOT DEEMED IT NECESSARY TO EXERCISE ITS RIGHT TO SELF-REGULATION.

NONETHELESS, ARTICLE 15 OF THE BOARD REGULATIONS INCLUDES THE REGULATION OF THE NOMINATION AND REMUNERATION COMMITTEE WITH RESPECT TO ITS FUNCTIONS, THE RULES GOVERNING ITS COMPOSITION, APPOINTMENT AND DISMISSAL OF ITS MEMBERS, ITS CHAIRMANSHIP, SECRETARY, NOTICES AND MEETING SCHEDULING AND QUORUMS.

ARTICLE 19 OF THE COMPANY BYLAWS STIPULATES THAT PROPOSALS TO APPOINT, RE-ELECT OR DISMISS DIRECTORS SUBMITTED TO THE GENERAL SHAREHOLDERS' MEETING AT THE BEHEST OF THE BOARD OF DIRECTORS SHALL BE MADE SUBJECT TO A PROPOSAL BY THE NOMINATION AND REMUNERATION COMMITTEE, IN THE CASE OF INDEPENDENT DIRECTORS BASED ON A LIST DRAWN UP FOR THIS PURPOSE BY EXTERNAL EXPERTS IF SO REQUIRED BY ANY DIRECTOR, AND A REPORT BY THE COMMITTEE IN THE CASE OF ALL OTHER DIRECTORS.

THE CHAIRMAN OF THE COMMITTEE REPORTS TO THE SHAREHOLDERS IN GENERAL MEETING ON THE WORK OF THE COMMITTEE DURING THE PRIOR YEAR.

ALL THESE RULES ARE AVAILABLE ON THE COMPANY'S WEBSITE.

Committee name

AUDIT COMMITTEE

Brief description

ARTICLE 24 OF THE COMPANY BYLAWS GOVERNS THE COMPOSITION, APPOINTMENT AND PROCEDURES OF THE AUDIT COMMITTEE, ARTICLE 24 BIS COVERS MEETING NOTICES, THE CHAIR AND REMUNERATION, ARTICLE 24 TER THE CALLING OF COMMITTEE MEETINGS, QUORUMS, RESOLUTIONS, MINUTES, SECRETARY AND PROCEDURES AND FINALLY ARTICLE 24 QUARTER, THE FUNCTIONS OF THE AUDIT COMMITTEE.

THE CHAIRMAN OF THE COMMITTEE REPORTS TO THE

SHAREHOLDERS IN GENERAL MEETING ON THE WORK OF THE COMMITTEE DURING THE PRIOR YEAR. ALL THESE RULES ARE AVAILABLE ON THE COMPANY'S WEBSITE AND A REPORT OF ITS ACTIVITIES IS PROVIDED AT EACH GENERAL SHAREHOLDERS' MEETING.

B.2.6 Indicate whether the composition of the executive committee reflects the participation within the board of the different types of directors:

No

If not, describe the composition of the Executive Committee
THERE IS NO SUCH COMMITTEE.

C RELATED PARTY TRANSACTIONS

C.1 Indicate whether the board in full has the right to approve, based on a favourable report by the Audit Committee or some other committee handling the same function, transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other personal related thereto:

Yes

C.2 List any relevant transactions entailing a transfer of resources or obligations between the company or its group companies and the significant shareholders in the company:

Name or company name of significant shareholder	Name or company name of the company or its group company	Nature of the relationship	Transaction type	Amount (thousands of euros)
SMITHFIELD FOODS	CAMPOFRIO FOOD GROUP	CONTRACTUAL WITH SMITHFIELD GLOBAL PRODUCTS	RECEIPT OF SERVICES	34
SMITHFIELD FOODS	CAMPOFRIO FOOD GROUP	CONTRACTUAL WITH SMITHFIELD GLOBAL PRODUCTS	SALE OF GOODS (FINISHED AND INPROGRESS)	116
SMITHFIELD FOODS	GROUPE AOSTE	CONTRACTUAL WITH SMITHFIELD GLOBAL PRODUCTS	SALE OF GOODS (FINISHED AND INPROGRESS	72
SMITHFIELD FOODS	GROUPE AOSTE	CONTRACTUAL WITH SMITHFIELD FOODS	SALE OF GOODS (FINISHED AND INPROGRESS	3552
SMITHFIELD FOODS	GROUPE AOSTE	CONTRACTUAL WITH SMITHFIELD FOODS	RECEIPT OF SERVICES	464
SMITHFIELD FOODS	GROUPE AOSTE	CONTRACTUAL WITH SMITHFIELD FOODS	RENDERING SERVICES	260
SMITHFIELD FOODS	GROUPE AOSTE	CONTRACTUAL WITH SMITHFIELD GLOBAL PRODUCTS	PURCHASE OF GOODS (FINISHED AND INPROGRESS	477
SMITHFIELD FOODS	GROUPE AOSTE	CONTRACTUAL WITH FARMLAND FOODS	PURCHASE OF GOODS (FINISHED AND INPROGRESS	118
SMITHFIELD FOODS	GROUPE AOSTE	CONTRACTUAL WITH SMITHFIELD FOODS	RENDERING SERVICES	19

SMITHFIELD FOODS	GROUPE AOSTE	CONTRACTUAL WITH SMITHFIELD FOODS	RECEIPT OF SERVICES	70
SMITHFIELD FOODS	IMPERIAL MEAT PRODUCTS	CONTRACTUAL WITH ANIMEX	PURCHASE OF GOODS (FINISHED AND INPROGRESS	1500
SMITHFIELD FOODS	IMPERIAL MEAT PRODUCTS	CONTRACTUAL WITH SMITHFIELD FOOD UK	SALE OF GOODS (FINISHED AND INPROGRESS)	8358
SMITHFIELD FOODS	SC TABCO-CAMPOFRIO S.A. TULCEA	CO NTRACUTAL WITH AGROALIM DISTRIBUTION SRL	PURCHASE OF GOODS (FINISHED AND INPROGRESS)	21
SMITHFIELD FOODS	SC TABCO-CAMPOFRIO S.A. TULCEA	CONTRACTUAL WITH SMITHFIELD PRODUCTS SRL	SALE OF GOODS (FINISHED AND INPROGRESS	16
SMITHFIELD FOODS	SC TABCO-CAMPOFRIO S.A. TULCEA	CONTRACTUAL WITH SMITHFIELD PRODUCTS SRL	RECEIPT OF SERVICES	35
SMITHFIELD FOODS	SC TABCO-CAMPOFRIO S.A. TULCEA	CONTRACTUAL WITH FRIGORIFER	RECEIPT OF SERVICES	52
SMITHFIELD FOODS	SC TABCO-CAMPOFRIO S.A. TULCEA	CONTRACTUAL WITH ANIMEX	PURCHASE OF GOODS (FINISHED AND INPROGRESS)	6
SMITHFIELD FOODS	SC TABCO-CAMPOFRIO S.A. TULCEA	CO NTRACUTAL WITH AGROALIM DISTRIBUTION SRL	SALE OF GOODS (FINISHED AND INPROGRESS)	34
SMITHFIELD FOODS	SC TABCO-CAMPOFRIO S.A. TULCEA	CONTRACTUAL WITH SMITHFIELD PROCESARE SRL	PURCHASE OF GOODS (FINISHED AND INPROGRESS)	687
CAJA DE AHORROS MUNICIPAL DE BURGOS	CAMPOFRIO FOOD GROUP	CONTRACTUAL	SALE OF GOODS (FINISHED AND INPROGRESS)	2
CAJA DE AHORROS MUNICIPAL DE BURGOS	CAMPOFRIO FOOD GROUP	CONTRACTUAL WITH CENTRO REGIONAL DE SERVICIOS AVANZADOS	RECEIPT OF SERVICES	36
CAJA DE AHORROS MUNICIPAL DE BURGOS	CAMPOFRIO FOOD GROUP	CONTRACTUAL	RECEIPT OF SERVICES	68

C.3 List any relevant transactions entailing a transfer of resources or obligations between the company or its group companies and the company's managers or directors:

C.4 List any relevant transaction undertaken by the company with other companies in its group that are not eliminated upon financial statement consolidation and whose purpose and conditions are other than the company's ordinary course of business:

C.5 Indicate whether the members of the Board of Directors have encountered any conflicts of interest during the year within the meaning of article 127 ter of the Spanish Companies Act.

Yes

Name or company name of director

LUIS SERRANO MARTÍN

Description of the conflict of interest

COMMERCIAL RELATIONSHIPS BETWEEN BOTH CAMPOFRIO FOOD GROUP SA AND MONTANERA SA, N THE ONE HAND, AND AGROIBERICOS DERAZA SL, WHICH IS CONTROLLED BY A BROTHER-IN-LAW OF LUIS SERRANO AND IN WHICH THE LATTER OWNS AN INDIRECT STAKE OF LESS THAN 2%, ON THE OTHER. IN 2009, CAMPOFRIO PURCHASED SUPPLIES FROM AGROIBERICOS DERAZA S.L. IN THE AMOUNT OF 11,502 THOUSAND EUROS AND CONTRACTED SERVICES IN THE AMOUNT OF 1,192 THOUSAND EUROS. IN TURN CAMPOFRIO SUPPLIED THIS COMPANY WITH GOODS FOR A TOTAL OF 21 THOUSAND EUROS. MEANWHILE GROUP COMPANY LA MONTANERA MADE SALES TO AGROIBÉRICOS DERAZA IN THE AMOUNT OF 5,004 THOUSAND EUROS.

COMMERCIAL RELATIONSHIPS WITH CASA DEL ARMIÑO SA, WHICH IS CONTROLLED BY A BROTHER-IN-LAW OF LUIS SERRANO AND IN WHICH THE LATTER OWNS AN INDIRECT STAKE OF LESS THAN 1%. CAMPOFRIO MADE PURCHASES FROM CASA DEL ARMIÑO IN THE AMOUNT OF 135 THOUSAND EUROS IN 2009 AND SALES TO THE LATTER COMPANY OF 54 THOUSAND EUROS.

COMMERCIAL RELATIONSHIPS WITH BAÑUSTE AGROPECUARIA, A COMPANY IN WHICH LUIS SERRANO HAS AN INDIRECT STAKE OF LESS THAN 1%. LA MONTANERA SOLD THIS COMPANY RAW MATERIALS IN THE AMOUNT OF 818 THOUSAND EUROS.

COMMERCIAL RELATIONSHIPS WITH GRUPO LECHE PASCUAL, A COMPANY THAT IS REPRESENTED ON THE BOARD OF DIRECTORS. CAMPOFRIO PURCHASED PRODUCTS IN THE AMOUNT OF 37 THOUSAND EUROS AND CONTRACTED SERVICES IN THE AMOUNT OF 43 THOUSAND EUROS FROM GRUPO LECHE PASCUAL, WHILE THE LATTER MADE PURCHASES OF 18 THOUSAND EUROS FROM CAMPOFRIO.

LASTLY, COMMERCIAL RELATIONSHIPS WITH SEDA SOLUBLES. THIS RELATED PARTY PROVIDED 1 THOUSAND EUROS WORTH OF SERVICES TO CAMPOFRIO IN 2009.

Name or company name of director

PEDRO JOSE BALLVE LANTERO

Description of the conflict of interest

COMMERCIAL DEALINGS WITH TELE PIZZA, WHICH PEDRO JOSE BALLVE CHAIRS AND IN WHICH HE HOLDS AN INDIRECT OWNERSHIP INTEREST OF 22.5%. CAMPOFRIO SOLD THIS COMPANY PRODUCTS FOR 487 THOUSAND EUROS.

BESIDES, CAMPOFRIO ACQUIRED PRODUCTS FROM DESARROLLO GANADERO ESPAÑOL S.A., A COMPANY 38%-OWNED BY PEDRO BALLVÉ (INDIRECTLY) IN THE AMOUNT OF 1,489 THOUSAND EUROS.

Name or company name of director

JUAN JOSE GUIBELALDE IÑURRITEGUI

Description of the conflict of interest

COMMERCIAL DEALINGS WITH AECOC, ASSOCIATION IN WHICH MR. GUIBELALDE IS THE PRESIDENT, FOR AN AMOUNT OF 54 THOUSAND EURO.

C.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

TRANSACTIONS IN WHICH THERE IS A POTENTIAL CONFLICT OF INTEREST ARE ANALYSED BY THE BOARD OF DIRECTORS SUBJECT TO A PRIOR REPORT BY THE AUDIT COMMITTEE. THE IMPLICATED PARTY DOES NOT ATTEND RELATED DISCUSSIONS. THE AUDIT COMMITTEE ESTABLISHES THE MECHANISMS FOR SAFEGUARDING AGAINST RISK OF CONFLICTS AND MAKES PROPOSALS TO THE BOARD IN THIS REGARD.

FURTHER, IN THIS CONNECTION, ARTICLE 31 OF THE BOARD REGULATIONS PROVIDES THAT "IN COMPLIANCE WITH HIS/HER DUTY OF LOYALTY, A DIRECTOR SHALL AVOID ANY CONFLICT OF INTERESTS BETWEEN (I) HIM/HER AND/OR HIS/HER CLOSEST RELATIVES OR RELATED COMPANIES, INCLUDING FOR THESE PURPOSES THE COMPANY WHICH HAS APPOINTED HIM/HER AS ITS REPRESENTATIVE ON THE BOARD, AND (II) THE COMPANY, AND SHALL REPORT ANY SUCH SITUATIONS TO THE BOARD OF DIRECTORS IF THE SAME PROVE TO BE UNAVOIDABLE. IN PARTICULAR:

1. THE DIRECTORS SHALL REFRAIN FROM ATTENDING AND PARTICIPATING IN DISCUSSIONS WHICH MAY AFFECT MATTERS IN WHICH THEY HAVE A PERSONAL INTEREST.

2. A DIRECTOR SHALL NOT ENGAGE IN PROFESSIONAL OR COMMERCIAL TRANSACTIONS WITH THE COMPANY, WHETHER DIRECTLY OR INDIRECTLY, UNLESS HE/SHE REPORTS THE CONFLICT OF INTEREST IN ADVANCE, AND THE BOARD OF DIRECTORS APPROVES THE TRANSACTION".

IN ADDITION, THE COMPANY'S ETHICS CODE ESTABLISHES IN ARTICLE 6.4 THEREOF ACKNOWLEDGEMENT AND ACCEPTANCE OF THE POSSIBILITY THAT ITS DIRECTORS, OFFICERS AND EMPLOYEES MAY PARTICIPATE IN BUSINESS INITIATIVES OTHER THAN THOSE OF THE CAMPOFRIO GROUP, SO LONG AS SO DOING DOES NOT JEOPARDISE THE INTERESTS OF THE GROUP. NONETHELESS, THE DIRECTORS, OFFICERS AND EMPLOYEES MAY NOT WORK ON THEIR ON BEHALF OR ON BEHALF OF THIRD PARTIES FOR COMPANIES THAT MAY COMPETE DIRECTLY OR INDIRECTLY WITH THE GROUP.

IN ACCORDANCE WITH THIS ETHICS CODE, ALL DIRECTORS, OFFICERS AND EMPLOYEES, IN DISCHARGING THEIR DUTIES, TAKING DECISIONS AND ACTIONS MUST PRIORITISE THE INTERESTS OF THE GROUP OVER THEIR OWN PERSONAL INTERESTS OR THOSE OF THIRD PARTIES. SIMILARLY THEY SHALL ABSTAIN FROM INFLUENCING OR TAKING FINANCING DECISIONS OR UNDERTAKING TRANSACTIONS WITH THIRD PARTIES WITH WHOM THEY OR A CLOSE RELATIVE MAY BE RELATED. DIRECTORS, OFFICERS AND EMPLOYEES, AND ANY RELATED THIRD PARTY, MAY NOT BENEFIT FROM A BUSINESS SITUATION OR OPPORTUNITY RELATED TO THE BUSINESS OF THE CAMPOFRIO GROUP THAT MAY ARISE IN THE COURSE OF THEIR POSITION AS DIRECTOR, OFFICER OR EMPLOYEE. NOR MAY THEY RECEIVE GUARANTEES AGAINST OBLIGATIONS AS A RESULT OF THEIR POSITIONS AT THE GROUP.

ANY POTENTIAL CONFLICT OF INTEREST PERCEIVED BY A DIRECTOR, OFFICER OR EMPLOYEE MUST BE NOTIFIED TO THE AUDIT COMMITTEE WHICH SHALL ISSUE A BINDING RULING ON THE ACTIONS TO BE TAKEN TO RESOLVE SAID CONFLICT.

C.7 Is more than one group company listed in Spain?

No

Identify subsidiaries listed in Spain:

D RISK CONTROL SYSTEMS

D.1 Give a general description of risk policy at the company and/or its group, detailing and evaluating the risks hedged by the system, as well as an explanation of the extent to which these systems match the profile of each type of risk.

THE CAMPOFRÍO GROUP UNDERTAKES CONTINUOUS FOLLOW-UP OF THE POTENTIAL RISKS TO THE GROUP'S VARIOUS COMPANIES. THE MAIN RISK MANAGEMENT TOOL IS THE RISK MANAGEMENT MODEL WHICH IS APPLIED HETEROGENEOUSLY THROUGHOUT THE GROUP'S COMPANIES. IT IS DESIGNED TO EVALUATE EACH OF THE POTENTIAL RISKS TO THE COMPANIES AND TO DETERMINE THE DEGREE OF CONTROL THAT CAN BE EXERCISED OVER EACH ONE. THE MAIN ELEMENTS OF THIS MODEL ARE THE FOLLOWING:

- A COMPLETE INVENTORY OF RISKS TO EACH BUSINESS DIVISION AND SUBSIDIARY, RANKED AS A FUNCTION OF PROBABILITY OF OCCURRENCE AND THEIR POTENTIAL IMPACT. WITHIN THE INVENTORY, THE CONTROLS IN PLACE ASSOCIATED WITH EACH RISK ARE EVALUATED AND MEASURED WITH THE AIM OF LIMITING THE LIKELIHOOD OF MATERIALISATION AND THEIR IMPACT, AND TO ENSURE THAT THE COMPANY'S GOALS AND TARGETS WILL BE ACHIEVED IN AN EFFICIENT AND ECONOMIC MANNER.

- A RISK CHART, WHICH RANKS BY IMPORTANCE ALL RISKS REQUIRING SPECIFIC MONITORING AND FOLLOW-UP.

- AN INTERNAL AUDIT RISK REVIEW PROGRAM, WHICH PRIORITISES IN TIME THE REVIEW OF THE BUSINESS ACTIVITIES WITH THE GREATEST CONCENTRATION OF RISK. HOWEVER, THE PLAN ENSURES THAT ALL THE BUSINESS AREAS AND THEIR RISKS ARE AUDITED AT LEAST EVERY FOUR YEARS. EACH YEAR, A REVIEW SCHEDULE AND PROGRAM IS PUT FORWARD BY THE INTERNAL AUDIT DEPARTMENT AND APPROVED BY THE AUDIT COMMITTEE. THE PROGRAM ALSO SETS FORTH A PROCEDURE FOR FOLLOWING UP, SUPERVISING AND ENSURING THAT THE INITIATIVES PROPOSED AND RATIFIED WITH MANAGEMENT ARE EFFECTIVELY IMPLEMENTED.

- AN INVENTORY OF SPECIFIC RISKS OF POTENTIAL FRAUD RELATED TO THE GROUP'S BUSINESS AND RELATED CONTROLS. A PLAN TO REINFORCE CONTROLS IN THE MAIN AREAS AND ONGOING MONITORING OF DATA VIA INDICATORS/ALERTS TO PRE-EMPT ANY INCIDENT.

- A MECHANISM TO ENABLE EMPLOYEES TO CONFIDENTIALLY REPORT ON ANY IRREGULARITIES OR BREACHES DETECTED IN THE GROUP'S ACTIVITIES FOR EVALUATION BY PERSONNEL FROM THE INTERNAL AUDIT DEPARTMENT, LEGAL ADVISORY SERVICES AND THE AUDIT COMMITTEE, AND CORRECTED, IF WARRANTED, VIA SUBSEQUENT MANAGEMENT DECISIONS.

D.2 Indicate whether during the year any of the different types of risk (operational, technological, financial, legal, reputational fiscal, etc.) to which the company and/or its group is exposed materialised:

No

If so, indicate the circumstances causing these risks and whether the established control systems worked.

D.3 Indicate whether there is a committee or other governing body in charge of establishing and supervising these control systems.

Yes

If so, detail their functions.

Name of committee or body

AUDIT COMMITTEE

Description of functions

THE BOARD OF DIRECTORS HAS DELEGATED TO THE AUDIT COMMITTEE RESPONSIBILITY FOR ANALYSING AND EVALUATING THE MAIN BUSINESS RISKS AND THEIR MANAGEMENT AND CONTROL SYSTEMS ON A REGULAR BASIS. THE COMMITTEE THUS SUPERVISES THE EFFICIENCY AND EFFICACY OF THE INTERNAL CONTROL SYSTEMS, THEREBY ENSURING THE ACCURACY AND RELIABILITY OF THE FINANCIAL STATEMENTS AND ANY OTHER FINANCIAL-ACCOUNTING INFORMATION REQUIRED BY THE PERTINENT AUTHORITIES. THE BOARD OF DIRECTORS IS KEPT ABREAST OF ANY RELEVANT ISSUES ARISING FROM THIS SUPERVISORY PROCESS AND RESERVES THE AUTHORITY TO APPROVE RISK CONTROL AND MANAGEMENT POLICY AND TO CONDUCT PERIODIC FOLLOW-UP OF THE INFORMATION AND CONTROL SYSTEMS.

AS A CONSULTATIVE BODY FOR THE BOARD OF DIRECTORS, THE AUDIT COMMITTEE RELIES ON THE INTERNAL AUDIT DEPARTMENT TO REPORT ANY IRREGULARITIES OR BREACHES DETECTED IN AUDITED ACTIVITIES, WHICH MUST BE NOTIFIED TO THE BOARD WHEN THEY ARE CONSIDERED TO POSE A MATERIAL THREAT TO THE GROUP.

IT ALSO HAS IN PLACE AND OVERSEES A MECHANISM, INCLUDED IN THE GROUP'S ETHICS CODE, ALLOWING EMPLOYEES TO REPORT ON A CONFIDENTIAL BASIS ANY IRREGULARITIES OF POTENTIAL SIGNIFICANCE THEY MAY HAVE NOTED AT THE GROUP.

FINALLY, IT IS IN CHARGE OF MONITORING THE INDEPENDENCE OF THE INTERNAL AUDIT FUNCTION, PROPOSING THE DEPARTMENT'S STRUCTURE AND ENSURING THAT SENIOR OFFICERS ARE ACTING ON THE FINDINGS AND RECOMMENDATIONS OF ITS REPORTS.

Name of committee or body

BOARD OF DIRECTORS

Description of functions

THE BOARD OF DIRECTORS IS KEPT ABREAST OF ANY RELEVANT ISSUES ARISING FROM THIS SUPERVISORY PROCESS AND RESERVES THE AUTHORITY TO APPROVE RISK CONTROL AND MANAGEMENT POLICY AND TO

CONDUCT PERIODIC FOLLOW-UP OF THE REPORTING AND CONTROL SYSTEMS.

AS A CONSULTATIVE BODY FOR THE BOARD OF DIRECTORS, THE AUDIT COMMITTEE RELIES ON THE INTERNAL AUDIT DEPARTMENT TO REPORT ANY IRREGULARITIES OR BREACHES DETECTED IN AUDITED ACTIVITIES, WHICH MUST BE NOTIFIED TO THE BOARD WHEN THEY ARE CONSIDERED TO POSE A MATERIAL THREAT TO THE GROUP.

THE AUDIT COMMITTEE ALSO HAS IN PLACE AND OVERSEES A MECHANISM, PUBLICISED VIA THE GROUP'S ETHICS CODE, THAT ALLOWS EMPLOYEES TO REPORT ON A CONFIDENTIAL BASIS ANY IRREGULARITIES OF POTENTIAL SIGNIFICANCE THEY MAY HAVE NOTED AT THE GROUP.

FINALLY, IT IS TASKED WITH MONITORING THE INDEPENDENCE OF THE INTERNAL AUDIT FUNCTION, PROPOSING THAT DEPARTMENT'S STRUCTURE AND ENSURING THAT SENIOR MANAGEMENT ARE ACTING ON THE FINDINGS AND RECOMMENDATIONS OF ITS REPORTS.

Name of committee or body

CORPORATE RISK MANAGEMENT DEPARTMENT

Description of functions

THE CORPORATE RISK MANAGEMENT DEPARTMENT IS TASKED WITH THE OVERRIDING DUTY OF OPTIMISING THE TOTAL COST OF INHERENT BUSINESS RISKS BY DESIGNING AND IMPLEMENTING THE CORRECT STRATEGIES FOR PREVENTION, RETENTION AND TRANSFER.

D.4 Identify and describe the processes for ensuring compliance with the regulations applicable to the company and/or its group.

ONE OF THE BASIC OBJECTIVES OF THE CAMPOFRÍO GROUP'S RISK MANAGEMENT MODEL IS COMPLIANCE WITH ALL PREVAILING LEGISLATION AND REGULATIONS APPLICABLE TO THE GROUP AND ITS ACTIVITIES. MORE SPECIFICALLY, THE GROUP HAS SET UP DEDICATED UNITS TO CONTROL THIS KIND OF RISK, NOTABLY THE LEGAL ADVISORY, ENGINEERING, QUALITY CONTROL AND ENVIRONMENTAL DEPARTMENTS.

E	THE GENERAL SHAREHOLDERS' MEETING

E.1 Indicate and detail any differences between minimum regime set forth in the Spanish Companies Act and the quorum for validly calling the Shareholders' Meeting to order.

Yes

	% quorum different to art. 102 of the Spanish Companies Act for voting on general budgets	% quorum different to art. 103 of the Spanish Companies Act for voting on special matters included in art. 103
Quorum required at first call	0	65.00
Quorum required at second call	0	50.00

Description of the differences

IN CONTRAST TO THE PROVISIONS OUTLINED IN ARTICLE 103 OF THE SPANISH COMPANIES ACT, ARTICLE 15 OF THE COMPANY'S BYLAWS STIPULATES A STRICTER THAN STANDARD QUORUM FOR THE RATIFICATION AT THE GENERAL SHAREHOLDERS' MEETING OF CERTAIN RESOLUTIONS, NAMELY THE ISSUANCE OF OBLIGATIONS, AN INCREASE OR DECREASE IN CAPITAL, THE TRANSFORMATION, MERGER OR SPIN-OFF OF THE COMPANY AND, IN GENERAL, ANY AMENDMENT TO THE COMPANY'S BYLAWS, FOR WHICH THE ATTENDANCE OF SHAREHOLDERS, IN PERSON OR BY PROXY, REPRESENTING AT LEAST SIXTY-FIVE PER CENT OF THE SUBSCRIBED VOTING SHARE CAPITAL, WILL BE NECESSARY, AT FIRST CALL. AT SECOND CALL, ATTENDANCE OF SHAREHOLDERS REPRESENTING FIFTY PER CENT OF SAID CAPITAL SHALL BE SUFFICIENT.

RATIFICATION OF THE RESOLUTIONS OUTLINED IN THE PARAGRAPH ABOVE SHALL REQUIRE, AT BOTH FIRST AND SECOND CALL, THE FAVOURABLE VOTE OF THE MAJORITY OF THE VOTING CAPITAL PRESENT OR VALIDLY REPRESENTED BY PROXY AT THE MEETING, SO LONG AS THIS MAJORITY REPRESENTS AT LEAST FORTY-FIVE PER CENT OF SUBSCRIBED VOTING SHARE CAPITAL.

E.2 Indicate and detail any differences between the regime set forth in the Spanish Companies Act and the rules governing the adoption of corporate resolutions.

None

Describe any differences from the provisions set forth in the Companies Act.

E.3 List all shareholders' rights regarding the General Shareholders' Meetings other than those established under the Companies Act.

SHAREHOLDERS MAY EXERCISE THEIR RIGHT TO POST OBSERVATIONS AND COMMENTS ON THE COMPANY'S CORPORATE GOVERNANCE ON ITS WEBPAGE AS PROVIDED FOR IN ARTICLE 6 OF THE REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING, WHICH STATES IN SECTION C) THEREOF THAT THIS WEBPAGE SHALL DISCLOSE: "THE COMMUNICATION CHANNELS BETWEEN THE COMPANY AND ITS SHAREHOLDERS AND, SPECIFICALLY, PROVIDE ADEQUATE EXPLANATIONS OF HOW SHAREHOLDERS CAN EXERCISE THEIR RIGHT TO INFORMATION, SPECIFYING THE POSTAL AND ELECTRONIC MAIL ADDRESSES TO WHICH THE SHAREHOLDERS MAY WRITE".

LIKEWISE, AND WITHOUT PREJUDICE TO THE RIGHTS INCLUDED IN THE SPANISH COMPANIES ACT, SHAREHOLDERS ARE ALSO ENTITLED TO SUGGEST THE INCLUSION OF ADDITIONAL ITEMS ON THE SHAREHOLDERS' MEETING AGENDA UNDER ARTICLE 11 OF THE REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING WHICH ESTABLISHES THAT: "ANY SHAREHOLDER MAY SUBMIT TO THE COMPANY, EITHER BY ELECTRONIC MAIL OR REGULAR POST, ADDRESSED TO THE REGISTERED BUSINESS ADDRESS, ALL SUGGESTIONS THEY WISH TO BE INCLUDED AS NEW ITEMS ON THE GENERAL MEETING AGENDA AND CLARIFICATION OF THE LITERAL CONTENT OF SAID ITEMS. REQUESTS MUST BE DRAFTED IN THE CLEAREST AND MOST PRECISE TERMS, AND SHOULD STATE THE SHAREHOLDER'S NAME AND THE NUMBER OF SHARES HELD. REQUESTS MADE BY PROXY WILL NOT BE ACCEPTED. THE PROVISIONS OF THIS ARTICLE ARE TO BE UNDERSTOOD NOTWITHSTANDING THE PROVISIONS OF THE FOLLOWING ARTICLE REGARDING SHAREHOLDERS' RIGHT TO INFORMATION IN RELATION TO CLARIFICATIONS REQUIRED CONCERNING ITEMS ALREADY ON THE MEETING AGENDA. DEPENDING ON THE NUMBER OF SUGGESTIONS RECEIVED AND THE DEGREE OF REPRESENTATION OF THE PETITIONING SHAREHOLDERS, THE BOARD OF DIRECTORS MAY MAKE USE OF THEIR CONTENTS INSOFAR AS, IN ITS OPINION, THOSE SUGGESTIONS EFFECTIVELY IMPROVE THE INFORMATION AVAILABLE TO THE SHAREHOLDERS, EITHER IN THE AGENDA TO BE PUBLISHED OR WITHIN THE INFORMATION INCLUDED ON THE WEBSITE REGARDING THE GENERAL

MEETING, OR IN THE INFORMATION OR CLARIFICATIONS TO BE PROVIDED IN CONJUNCTION WITH THE GENERAL MEETING....".

ARTICLE 24 OF THE REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING PROVIDES FOR SEPARATE VOTES ON MATTERS THAT ARE MATERIALLY SEPARATE, IN PARTICULAR: (I) THE APPOINTMENT OR RATIFICATION OF DIRECTORS, WHICH SHOULD BE VOTED ON INDIVIDUALLY; AND (II) WITH RESPECT AMENDMENTS TO THE COMPANY BYLAWS, THOSE AFFECTING EACH ARTICLE OR GROUP OF ARTICLES THAT ARE MATERIALLY SEPARATE. WHEN PREVIOUSLY APPLIED FOR AND ACCREDITED BY THE RELATED SHAREHOLDERS SPECIALLY FOR EACH MEETING AND THE PROCEDURES GUARANTEEING CORRECT EXECUTION CAN BE ESTABLISHED, SPLIT VOTES ARE ALLOWED BY FINANCIAL INTERMEDIARIES ACTING LEGITIMATELY AS NOMINEES ON BEHALF OF DIFFERENT CLIENTS, TO ENABLE THEM TO CAST THEIR VOTES IN ACCORDANCE WITH INSTRUCTIONS RECEIVED FROM THESE SHAREHOLDERS.

E.4 Indicate measures adopted, if any, to encourage shareholders' participation in the General Shareholders' Meetings.

THE AMENDMENTS TO THE BOARD REGULATIONS ADOPTED AT THE GENERAL SHAREHOLDERS' MEETING OF 19 JUNE 2007 ALLOW SPLIT VOTES BY FINANCIAL INTERMEDIARIES ACTING AS NOMINEES ON BEHALF OF DIFFERENT CLIENTS, WHERE PROCEDURES GUARANTEEING CORRECT EXECUTION CAN BE ESTABLISHED AND IT HAS BEEN APPLIED FOR AND DULY ACCREDITED BY THE CORRESPONDING SHAREHOLDERS.

FURTHER THE REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING PROVIDE FOR CORRESPONDENCE VOTING; HOWEVER IT HAS NOT BEEN DEEMED NECESSARY TO ESTABLISH THE MECHANISMS FOR ENABLING VOTING BY CORRESPONDENCE DUE TO THE LACK OF REQUESTS TO VOTE IN THIS MANNER AND THE COST ENTAILED IN SO DOING.

ATTENDANTS AT THE SHAREHOLDERS' MEETING ALWAYS RECEIVE A GIFT AS AN ATTENDANCE BONUS. SHAREHOLDER PARTICIPATION IS PROMOTED AND FACILITATED VIA THE PROVISION OF EXHAUSTIVE INFORMATION SUFFICIENTLY IN ADVANCE OF THE SHAREHOLDERS' MEETING AND VIA THE CHAIRMAN'S INVITATION TO ATTENDEES TO ASK QUESTIONS OR RAISE QUERIES.

E.5 Indicate whether the General Shareholders' Meeting is presided by the chairman of the board. List the measures, if any, adopted to guarantee the independence and correct functioning of the General Shareholders' Meeting.

Yes X No ☐

Describe the measures
UNDER THE FIRST PARAGRAPH OF ARTICLE 19 OF THE REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING: "THE CHAIRMAN OF THE BOARD OF DIRECTORS OR HIS/HER SUBSTITUTE AS PER THE COMPANY BYLAWS SHALL ALSO CHAIR THE GENERAL SHAREHOLDERS' MEETING. IN ABSENCE THEREOF, THIS ROLE WILL BE VESTED IN THE SHAREHOLDER ELECTED BY SHAREHOLDERS ATTENDING THE MEETING. IF THE CHAIRMAN OR VICE CHAIRMAN OF THE BOARD OF DIRECTORS TO PRESIDE THE GENERAL SHAREHOLDERS' MEETING IS NOT AN EXTERNAL DIRECTOR, THE CHAIRMAN OF THE AUDIT COMMITTEE, OR WHOMEVER HE/SHE DELEGATES FROM AMONG THE BOARD'S INDEPENDENT DIRECTORS FOR THIS PURPOSE, MUST ALSO SIT AT THE SHAREHOLDERS' MEETING'S PRESIDING PANEL". THE MEASURES FOR VOTING BY PROXY SET FORTH IN ARTICLE 14 OF THE REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING GUARANTEE INDEPENDENCE BY ESTABLISHING THAT EVERY SHAREHOLDER ENTITLED TO ATTEND MAY BE REPRESENTED AT THE GENERAL MEETING BY ANOTHER PERSON, EVEN IF THE PROXY IS NOT A SHAREHOLDER, AT ALL TIMES IN ACCORDANCE WITH PREVAILING LEGAL AND BYLAW STIPULATED REQUIREMENTS. PROXIES MUST BE DESIGNATED ON THE OCCASION OF EACH MEETING, IN WRITING OR BY MEANS OF CORRESPONDENCE, PROVIDED IN THE LATTER INSTANCE THAT THE IDENTITY OF THE SHAREHOLDER REPRESENTED IS DULY CERTIFIED AND THE REQUIREMENTS ESTABLISHED OR TO BE ESTABLISHED FOR CORRESPONDENCE VOTING BY THE BOARD, IN ACCORDANCE WITH THE COMPANY BYLAWS AND ARTICLE 25 OF THE REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING, ARE MET. PROXY VOTES MAY ONLY BE CAST FOR CERTAIN OF THE ITEMS INCLUDED IN THE AGENDA. FOR MATTERS ON WHICH NO PROXY HAS BEEN DESIGNATED, THE HOLDERS OF THESE SHARES WILL BE UNDERSTOOD TO ABSTAIN FROM THE CORRESPONDING VOTE; NONETHELESS, SHARES REPRESENTED BY PROXY SHALL COMPUTE FOR CALLING THE SHAREHOLDERS' MEETING VALIDLY TO ORDER.

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E.6 Indicate the amendments, if any, made to the Regulations of the General Shareholders' Meeting during the year.

E.7 Indicate the attendance figures for the General Shareholders' Meetings held during this year:

General Shareholders' Meeting	Attendance data				
	% attending in person	% by proxy	% correspondence voting		Total
			Electronic votes	Other	
24/06/2009	86.94	3.04	0.00	0.00	89.98

E.8 Briefly describe the resolutions adopted at the General Shareholders' Meetings held during the year and the percentage of votes by which each resolution was passed:

FIRST:- EXAMINATION AND APPROVAL, IF APPROPRIATE, OF THE 2008 FINANCIAL STATEMENTS AND MANAGEMENT REPORT OF THE COMPANY AND ITS CONSOLIDATED GROUP, THE PROPOSED DISTRIBUTION OF 2008 PROFIT AND THE RESOLUTION TO RECOGNISE A GOODWILL RESERVE.

VOTED IN FAVOUR: 99.99% OF VOTING CAPITAL PRESENT; VOTED AGAINST: 0.01% OF VOTING CAPITAL PRESENT.

SECOND.- EXAMINATION AND APPROVAL, IF APPROPRIATE, OF THE PERFORMANCE OF THE BOARD OF DIRECTORS IN 2008. VOTED IN FAVOUR: 100% OF VOTING CAPITAL PRESENT.

THIRD.- EXAMINATION AND APPROVAL, IF APPROPRIATE, OF BOARD AUTHORISATION, WITHIN A MAXIMUM TERM OF FIVE YEARS, TO ISSUE STRAIGHT DEBENTURES, BONDS, WARRANTS AND/OR OTHER SECURITIES THAT CREATE OR RECOGNISE A LIABILITY. VOTED IN FAVOUR: 98.329% OF VOTING CAPITAL PRESENT; 0.003% ABSTAINED FROM VOTING; VOTED AGAINST: 1.668% OF VOTING CAPITAL PRESENT.

FOURTH.- EXAMINATION AND APPROVAL, IF APPROPRIATE, OF THE DERIVATIVE ACQUISITION OF OWN SHARES. VOTED IN FAVOUR: 99.99% OF VOTING CAPITAL PRESENT; VOTED AGAINST: 0.01% OF VOTING CAPITAL PRESENT.

FIFTH.- EXAMINATION AND APPROVAL, IF APPROPRIATE, OF THE DELEGATION IN THE BOARD OF DIRECTORS OF THE POWER TO RATIFY A CAPITAL INCREASE UNDER THE SCOPE OF ARTICLE 153.1.B) OF THE SPANISH COMPANIES ACT, INCLUDING THE POWER TO WAIVE PREFERENTIAL SUBSCRIPTION RIGHTS IN ACCORDANCE WITH ARTICLE 159.2 OF THE AFOREMENTIONED ACT. VOTED IN FAVOUR: 99.98% OF

VOTING CAPITAL PRESENT; VOTED AGAINST: 0.02% OF VOTING CAPITAL PRESENT.

SIXTH.- BOARD AUTHORISATION FOR THE DELIVERY OF STOCK OPTIONS ON THE COMPANY'S SHARES UNDER THE FRAMEWORK OF A PAY INCENTIVE PLAN TARGETED AT DIRECTORS AND OFFICERS. VOTED IN FAVOUR: 99.853% OF VOTING CAPITAL PRESENT; ABSTENTION: 212 VOTES, EQUIVALENT TO 0.000% OF VOTING CAPITAL PRESENT; VOTED AGAINST: 0.147% OF VOTING CAPITAL PRESENT.

SEVENTH.- EXAMINATION AND APPROVAL, IF APPROPRIATE, OF THE DELEGATION OF ANY NECESSARY POWERS TO THE BOARD OF DIRECTORS FOR THE INTERPRETATION, APPLICATION, EXECUTION AND IMPLEMENTATION OF THE RESOLUTIONS ADOPTED AT THE GENERAL SHAREHOLDERS' MEETING, INCLUDING THOSE RECTIFICATIONS NECESSARY TO MEET ANY MANDATORY REQUIREMENT, EITHER FOR PURPOSES OF IMPLEMENTING SAID RESOLUTIONS OR FOR INSCRIBING THEM IN THE COMPANIES REGISTER. VOTED IN FAVOUR: 100% OF VOTING CAPITAL PRESENT.

EIGHTH.- EXAMINATION AND APPROVAL, IF APPROPRIATE, OF THE DELEGATION OF THE NECESSARY POWERS TO EXECUTE OR RATIFY BY PUBLIC DEED ANY RESOLUTIONS ADOPTED AT THE GENERAL SHAREHOLDERS' MEETING THAT MAY REQUIRE THIS PROCEDURE OR THOSE THAT MUST BE INSCRIBED IN PUBLIC REGISTERS. VOTED IN FAVOUR: 100% OF VOTING CAPITAL PRESENT.

E.9 Indicate whether there are any restrictions in the bylaws establishing the minimum number of shares required to attend the General Shareholders' Meeting.

Yes

Number of shares required to attend the General Shareholders' Meeting	**10**

E.10 Indicate and explain the company's policies in relation to proxy voting at the General Shareholders' Meeting.

THE COMPANY BYLAWS REGULATE PROXY VOTING SYSTEMS BY CORRESPONDENCE OR ELECTRONIC MEANS WITH THE AIM OF FACILITATING SHAREHOLDER PARTICIPATION AT THE SHAREHOLDERS' MEETING. THE DETERMINATION OF THE MECHANISM AND PROCEDURES FOR THE EXECUTION THEREOF AND THE TIMING FOR APPLICATION OF THIS REGIME HAS BEEN DELEGATED IN THE BOARD OF DIRECTORS WHICH TO DATE HAS NOT DEEMED IT NECESSARY TO EXERCISE THIS POWER DUE TO

THE LACK OF REQUESTS TO VOTE IN THIS MANNER AND THE COST ENTAILED IN SO DOING.

IN TURN, ARTICLE 15 OF THE REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING COVER PUBLIC SOLICITATIONS OF PROXY, WHICH ARE REGULATED AS FOLLOWS:

FORMULATION OF PUBLIC SOLICITATIONS OF PROXY SHALL BE GOVERNED BY THE PROVISIONS SET FORTH TO THIS END IN THE SPANISH COMPANIES ACT, AND, IF APPROPRIATE, IN THE SECURITIES MARKET ACT FOR LISTED COMPANIES. PERSONS OR ENTITIES FORMULATING A PUBLIC SOLICITATION OF PROXY MUST SEND TO THE ADDRESS OF EACH AND EVERY SHAREHOLDER TO WHOM IT IS DIRECTED THE DOCUMENT ACCREDITING POWERS OF ATTORNEY, TOGETHER WITH A BROCHURE OR LETTER EXPLAINING THE IDENTITY OF THE PERSON/ENTITY FORMULATING THE SOLICITATION, DULY EXPLAINING THE LEGITIMACY, GROUNDS AND PURPOSE OF THE REQUEST.

THE PROXY SOLICITATION DOCUMENT MUST STATE THE NAME OF THE PERSON ACTING AS PROXY HOLDER, CONTAIN OR ATTACH THE AGENDA AND THE INSTRUCTION FORM FOR EXERCISING VOTING RIGHTS, ALONG WITH THE DELEGATE'S VOTING INTENTION IF SPECIFIC INSTRUCTIONS ARE NOT PROVIDED, SIGNED AND DATED BY THE BENEFICIAL OWNER OF THE SHARES.

UNLESS OTHERWISE INDICATED BY THE BENEFICIAL OWNER OF THE SHARES, SHOULD A CONFLICT OF INTEREST EXIST IN RELATION TO THE PROXY HOLDER, IT SHALL BE ASSUMED THAT THE BENEFICIAL SHAREHOLDER HAS LIKEWISE APPOINTED, JOINTLY AND SUCCESSIVELY, THE CHAIRMAN OF THE GENERAL MEETING, AND, SHOULD A CONFLICT OF INTEREST EXIST WITH THE LATTER, THE SECRETARY TO THE GENERAL MEETING AND, SHOULD A CONFLICT OF INTEREST EXIST WITH THE LATTER, THE CHAIRMAN OF THE AUDIT COMMITTEE, AS HIS OR HER DELEGATE. WHEN THE DOCUMENT ACCREDITING PROXY OR DELEGATION IS SUBMITTED TO THE COMPANY WITHOUT EXPRESSLY IDENTIFYING THE PROXY HOLDER, IT SHALL BE ASSUMED THAT THE BENEFICIAL SHAREHOLDER HAS LIKEWISE APPOINTED, JOINTLY AND SUCCESSIVELY, THE PERSONS HOLDING THE AFOREMENTIONED POSITIONS, IN THE ORDER REFERRED TO ABOVE. IN THE EVENT THAT NO VOTING INSTRUCTIONS ARE GIVEN WITH RESPECT TO THE RESOLUTIONS INCLUDED IN THE AGENDA, AND, UNLESS OTHERWISE STATED IN THE PROXY MATERIALS, IT SHALL BE ASSUMED THAT THE PROXY HOLDER WILL VOTE IN FAVOUR OF THE RESOLUTIONS PUT FORWARD BY THE BOARD OF DIRECTORS.

THE PROXY MAY ALSO COVER BUSINESS WHICH, ALTHOUGH NOT CONTAINED IN THE AGENDA OF THE CALL TO MEETING, MAY LEGITIMATELY BE TRANSACTED IN THE SHAREHOLDERS' MEETING UNDER PREVAILING LAW. IN THESE CASES, THE PROVISIONS OF THE PRECEDING PARAGRAPHS SHALL ALSO APPLY, ALTHOUGH IF NO VOTING INSTRUCTIONS ARE GIVEN WITH RESPECT TO SAID BUSINESS, AND UNLESS OTHERWISE STATED IN THE PROXY MATERIALS, IT SHALL BE ASSUMED THAT THE DELEGATE WILL VOTE AGAINST THESE RESOLUTIONS.

E.11 Indicate whether the company is aware of institutional investors' policy on whether or not to participate in corporate decision making:

Yes

Describe the policy
AS PART OF ITS REGULAR INTERACTIONS WITH ITS INSTITUTIONAL INVESTORS, THE COMPANY IS ON OCCASION FAMILIAR WITH THEIR POLICIES IN THIS REGARD. HOWEVER, THESE TENDENCIES CANNOT BE CONSIDERED TO CONSTITUTE HARD AND FAST RULES.

E.12 Indicate the URL and mode of access to corporate governance content on your website.

THE ADDRESS OF THE COMPANY'S WEBSITE IS HTTP://WWW.CAMPOFRIOFOODGROUP.COM. TO ACCESS THIS CONTENT, BROWSERS MUST FIRST SELECT THEIR LANGUAGE OF CHOICE; THE CORPORATE GOVERNANCE CONTENT IS A DROP DOWN MENU OPTION UNDER THE INVESTORS' INFO TAB.

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F DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree to which the company is in compliance with the recommendations of the Unified Good Governance Code. Should the company not comply with any of the aforementioned recommendations, explain the recommendations, rules, practices or criteria the company applies.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

   See sections: A.9, B.1.22, B.1.23 and E.1, E.2.

   Compliant

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

   a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;

   b) The mechanisms in place to resolve possible conflicts of interest.

   See sections: C.4 and C.7

   Not applicable

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:

   a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;

   b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;

   c) Operations that effectively add up to the company's liquidation.

   Partially compliant

   THE COMPANY AND BOARD SHARE THE PHILOSOPHY AND PRINCIPLES OF THIS RECOMMENDATION, ALTHOUGH ITS APPLICATION SHOULD BE DICTATED BY THE CIRCUMSTANCES AND THE SUBSTANCE OF THE TRANSACTIONS THAT COULD GIVE RISE TO SUCH MEASURES.

   IN ANY EVENT, IN ACCORDANCE WITH AMENDED ARTICLE 24 OF THE COMPANY BYLAWS, AS RATIFIED AT THE COMPANY'S EXTRAORDINARY GENERAL MEETING OF 24 OCTOBER 2008, ANALYSIS OF AND DECISION-MAKING ON MATTERS THAT AFFECT THE COMPANY'S CORPORATE STRUCTURE, INCLUDING ANY BYLAW AMENDMENT PROPOSALS, ARE RESERVED TO THE FULL BOARD.

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the Meeting notice.

   Compliant

5. Separate votes should be taken at the General Shareholders' Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

   a) The appointment or ratification of directors, with separate voting on each candidate;

   b) Amendments to the bylaws, with votes taken on all articles or groups of articles that are materially different.

   See section: *E.8*

   Compliant

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

   See section: *E.4*

   Compliant

7. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interests and, as such, strive to maximise its value over time.

   It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

   Compliant

8. The board should see as the core component of its mission approval of the company's strategy and authorisation of the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the board in full should reserve the right to approve:

   a) The company's general policies and strategies, and in particular:

      i) The strategic or business plan, management targets and annual budgets;

      ii) Investment and financing policy;

      iii) Design of the structure of the corporate group;

      iv) Corporate governance policy;

      v) Corporate social responsibility policy;

      vi) Remuneration and evaluation of senior officers;

      vii) Risk control and management, and the periodic monitoring of internal information and control systems

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viii) Dividend policy, as well as the policies and limits applying to treasury stock

See sections: *B.1.10, B.1.13, B.1.14 and D.3*

b) The following decisions:

i) On the proposal of the company's chief executive, the appointment and removal of senior officers, and their remuneration clauses.

See section: *B.1.14*

ii) Director remuneration and, in the case of executive directors, the additional compensation for their management duties and other contractual obligations.

See section: *B.1.14*

iii) The financial information that all listed companies must periodically disclose.

iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;

v) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto ("related-party transactions").

However, board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form agreements applied on an across the board basis to a large number of clients;

2. They go through at market rates, generally set by the person supplying the goods or services;

3. Their amount is no more than 1% of the company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the full board.

See sections: *C.1 and C.6*

Compliant

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer then five and no more than fifteen members.

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See section: *B.1.1*

Compliant

10. External directors, proprietary and independent, should occupy an ample majority of board places, while the number of executive directors should be the minimum practical number bearing in mind the complexity of the corporate group and the ownership interests they control.

    See sections: *A.2, A.3, B.1.3 and B.1.14.*

    Compliant

11. In the event that an external director can be deemed neither proprietary nor independent, the company should disclose this circumstance and the links that person maintains with the company, its senior officers, or its shareholders.

    See section: *B.1.3*

    Not applicable

12. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the company's capital.

    This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

    1. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.
    2. In companies with a plurality of shareholders represented on the board but not otherwise related.

    See sections: *B.1.3, A.2 and A.3*

    Compliant

13. The number of independent directors should represent at least one third of all board members.

    See section: *B.1.3*

    Compliant

14. The nature of each director should be explained at the General Meeting of Shareholders which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The said Report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

    See sections: *B.1.3 and B.1.4*

    Compliant

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15. When women directors are few or non existent, the board should state the reasons for this situation and the measures taken to correct it; in particular, the Nomination Committee should take steps to ensure that:

    a) The process of filling board vacancies has no implicit bias against women candidates;

    b) The company makes a conscious effort to include women with the target profile among the candidates for board places.

    See sections: *B.1.2, B.1.27 and B.2.3.*

    Partially compliant

    THE BOARD IS SENSITIVE TO GENDER EQUALITY POLICIES AND ALTHOUGH IT HAS NO FEMALE DIRECTORS AT PRESENT, THIS IS NOT BECAUSE OF ANY BIAS OR REJECTION, BUT RATHER A REFLECTION OF THE COMPANY'S HISTORY AND THE DIFFICULTY AT TIMES OF FINDING THE APPROPRIATE CANDIDATES FOR DIRECTORSHIPS. ANY PROCESS FOR RENEWAL OF THE BOARD IS OPEN TO CONSIDERING WOMEN AS DIRECTORS UNDER THE SAME TERMS AS MEN.

16. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive, along with the chairmen of the relevant board committees.

    See section: *B.1.42*

    Compliant

17. When a company's Chairman is also its chief executive, an independent director should be empowered to request the calling of board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation of the Chairman.

    See section: *B.1.21*

    Compliant

18. The Secretary should take care to ensure that the board's actions:

    a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;

    b) Comply with the company bylaws and the regulations of the General Shareholders' Meeting, the Board of Directors and others;

    c) Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.

    In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nomination

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Committee and approved by a full board meeting, the relevant appointment and removal procedures being spelled out in the board's regulations.

See section: *B.1.34*

Compliant

19. The board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

    See section: *B.1.29*

    Compliant

20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

    See sections: *B.1.28 and B.1.30*

    Compliant

21. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

    Compliant

22. The board in full should evaluate the following points on a yearly basis:

    a) The quality and efficiency of the board's operation;

    b) Starting from a report submitted by the Nomination Committee, how well the chairman and chief executive have carried out their duties;

    c) The performance of its committees on the basis of the reports furnished by the same.

    See section: *B.1.19*

    Compliant

23. All directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the bylaws or board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.

    See section: *B.1.42*

    Compliant

24. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

    See section: *B.1.41*

Compliant

25. Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise

Compliant

26. Companies should require their directors to devote sufficient time and effort to performing their duties effectively, and, as such:

a) Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;

b) Companies should lay down rules about the number of directorships their board members can hold.

See sections: *B.1.8, B.1.9 and B.1.17*

Partially compliant

DIRECTORS DEVOTE SUFFICIENT TIME TO ENSURE THEY CONTRIBUTE AND CARRY OUT THEIR DIRECTORSHIP DUTIES EFFECTIVELY, APPRISING THE COMPANY OF THEIR PROFESSIONAL SITUATION. THE COMPANY CURRENTLY HAS NO LIMITS ON THE NUMBER OF DIRECTORSHIPS ITS BOARD MEMBERS CAN HOLD, ALTHOUGH THERE IS A REGIME GOVERNING THE HOLDING OF DIRECTORSHIPS AT COMPETING COMPANIES.

27. The proposal for the appointment or renewal of directors which the board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the board:

a) On the proposal of the Nomination Committee, in the case of independent directors.

b) Subject to a report from the Nomination Committee in all other cases.

See section: *B.1.2*

Compliant

28. Companies should post the following director particulars on their websites, and keep them permanently updated:

a) Professional experience and background;

b) Directorships held in other companies, listed or otherwise;

c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.

d) The date of their first and subsequent appointments as a company director, and;

e) Shares held in the company and any options on the same.

Compliant

29. Independent directors should not stay on as such for a continuous period of more than 12 years.

See section: *B.1.2*

Explain

ONE OF THE INDEPENDENT DIRECTORS HAS HELD OFFICE SINCE 1997, THEREBY EXCEEDING THE 12-YEAR MAXIMUM TERM RECOMMENDED HEREIN.

30. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

See sections: *A.2, A.3 and B.1.2*

Partially compliant

THE COMPANY EMBRACES THE RECOMMENDATION, ALBEIT UNDERSTANDING THAT THE SCALE OF ITS APPLICATION IS STUDIED ON A CASE-BY-CASE BASIS. THROUGHOUT THE COMPANY'S HISTORY, ADDITIONS AND DISPOSALS OF SIGNIFICANT SHAREHOLDINGS HAVE LED TO THE REMOVAL OF THE PROPRIETARY DIRECTORS REPRESENTING THESE SHAREHOLDERS.

31. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the board, based on a proposal from the Nomination Committee. In particular, just cause will be presumed to exist when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 (Definitions) of this Code.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: *B.1.2, B.1.5 and B.1.26*

Compliant

32. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in article 124 of the Spanish Companies Act, the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: *B.1.43 and B.1.44*

Compliant

33. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and

other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the Secretary of the board; director or otherwise.

Partially compliant

DIRECTORS ARE FREE TO EXPRESS THEIR OPINIONS AND RECORD THEIR OPPOSITION TO OR RESERVATIONS ABOUT RESOLUTIONS ADOPTED IN MEETING MINUTES. THE COMPANY DOES NOT HAVE ANY EXPLICIT RULE REGARDING THE DISCLOSURE OR HANDLING OF THE REASONS GIVEN BY DIRECTORS OR THE SECRETARY FOR RESIGNING.

34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See section: *B.1.5*

Compliant

35. The company's remuneration policy, as approved by its Board of Directors, should specify at least the following points:

a) The amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment they give rise to;

b) Variable components, in particular:

i) The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items.

ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;

iii) The main parameters and grounds for any system of annual bonuses or other, non cash benefits; and

iv) An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or benchmarks.

c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount of annual equivalent cost.

d) .The conditions to apply to the contracts of executive directors exercising senior management functions. Among them:

i) Duration;

ii) Notice periods; and

iii) Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between company and executive director.

See section: *B.1.15*

Compliant

36. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

See sections: *A.3 and B.1.3*

Compliant

37. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Compliant

38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Not applicable

39. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Compliant

40. The board should submit a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.

The report will focus on the remuneration policy the board has approved for the current year with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

The role of the Remuneration Committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

See section: *B.1.16*

Partially compliant

THE COMPANY DOES NOT SUBMIT ITS OVERALL REMUNERATION POLICY TO THE ADVISORY VOTE OF THE GENERAL SHAREHOLDERS' MEETING, ALTHOUGH THE MAXIMUM AMOUNT OF DIRECTOR REMUNERATION IS AUTHORISED BY THE COMPANY'S SHAREHOLDERS IN GENERAL MEETING. IN ADDITION, AT ORDINARY SHAREHOLDER MEETINGS, THE CHAIRMAN OF THE NOMINATION AND REMUNERATION COMMITTEE REPORTS ON THE ACTIVITIES CARRIED OUT AND THE PRINCIPLES AND POLICIES IT APPLIES, INCLUDING CRITERIA REGARDING DIRECTOR REMUNERATION, IN LINE WITH THIS RECOMMENDATION.

41. The notes to the annual accounts should list individual directors' remuneration in the year, including:

a) A breakdown of the remuneration obtained by each company director, to include where appropriate:

i) Participation and attendance fees and other fixed director payments;

ii) Additional remuneration for acting as chairman or member of a board committee;

iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;

iv) Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;

v) Any severance packages agreed or paid;

vi) Any remuneration they receive as directors of other companies in the group;

vii) The remuneration executive directors receive in respect of their senior management posts;

viii) Any kind of remuneration other than those listed above, of whatever nature and provenance within the group, especially when it may be deemed a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.

b) An individual breakdown of deliveries to directors of shares, share options or other share-based instruments, itemised by:

i) Number of shares or options awarded in the year, and the terms set for their execution;

ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;

iii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;

iv) Any change in the year in the exercise terms of previously awarded options.

c) Information on the relation in the year between the remuneration obtained by executive directors and the company's profits, or some other measure of enterprise results.

Partially compliant

IN ACCORDANCE WITH PREVAILING LAW, THE COMPANY PUBLICLY DISCLOSES THE REMUNERATION PAID TO DIRECTORS, ALTHOUGH IT DOES NOT PROVIDE AN INDIVIDUAL BREAKDOWN AS INDICATED IN THIS RECOMMENDATION DUE TO THE SENSITIVE NATURE OF THIS INFORMATION WITH RESPECT TO THE COMPANY'S COMPETITORS AND IN ORDER TO PROTECT THE RELATED DIRECTORS.

42. When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the board should also act as secretary to the Executive Committee.

See sections: *B.2.1 and B.2.6*

Not applicable

43. The board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Committee's minutes.

Not applicable

44. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Nomination and Remuneration.

The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Remuneration should be set forth in the board regulations, and include the following:

a) The Board of Directors should appoint the members of such committees taking into consideration the knowledge, aptitudes and experience of its directors and the remit of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting;

b) These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the committees' invitation.

c) Committees should be chaired by an independent director.

d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.

e) Meeting proceedings should be minuted and a copy sent to all board members.

See sections: *B.2.1 and B.2.3*

Compliant

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.

Explain

OVERSIGHT OF THE INTERNAL CODES OF CONDUCT AND THE ETHICS CODE FALLS TO THE ETHICS COMMITTEE COMPRISING THE CHAIRMAN OF THE COMPANY, THE CHAIRMAN OF THE AUDIT COMMITTEE, ANOTHER INDEPENDENT DIRECTOR OF THE AUDIT COMMITTEE, AND THE BOARD SECRETARY.

46. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Compliant

47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

Compliant

48. The head of internal audit should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Compliant

49. Control and risk management policy should specify at least:

a) The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;

b) The determination of the risk level the company sees as acceptable;

c) Measures in place to mitigate the impact of risk events should they occur;

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See section: D

Compliant

50. The Audit Committee's role should be:

1. With respect to internal control and reporting systems:

   a) Monitoring the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

   b) Reviewing internal control and risk management systems on a regular basis, so the main risks are properly identified, managed and disclosed.

c) Monitoring the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of the internal audit function; proposing the department's budget; receiving regular report-backs on its activities; and verifying that senior management are acting on the findings and recommendations of its reports.

d) Establishing and supervising a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect to the company's external auditors:

a) Making recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement.

b) Receiving regular information from the external auditor on the progress and findings of the audit programme, and checking that senior management are acting on its recommendations.

c) Monitoring the independence of the external auditor, to which end:

i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

ii) The Committee should ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;

iii) The Committee should investigate the issues giving rise to the resignation of any external auditor.

d) In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.

See sections: *B.1.35, B.2.2, B.2.3 and D.3*

Compliant

51. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant

52. The Audit Committee should prepare information on the following points from Recommendation 8 for input to board decision-making:

a) The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

b) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Related-party transactions, except where their scrutiny has been entrusted to some other oversight and control committee.

See sections: *B.2.2 and B.2.3*

Compliant

53. The Board of Directors should seek to present the annual financial statements to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See section: *B.1.38*

Compliant

54. The majority of Nomination Committee members – or Nomination and Remuneration Committee members as the case may be – should be independent directors.

See section: *B.2.1*

Compliant

55. The Nomination Committee should have the following functions in addition to those stated in earlier recommendations:

a) Evaluation of the balance of skills, knowledge and experience on the board, definition of the roles and capabilities required of the candidates to fill each vacancy, and determination of the time and dedication necessary for them to properly perform their duties.

b) Examination or organisation, in appropriate form, of the succession of the chairman and chief executive, making recommendations to the board so the handover proceeds in a planned and orderly manner.

c) Reporting on the senior officer appointments and removals which the chief executive proposes to the board.

d) Reporting to the board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: *B.2.3*

Compliant

56. The Nomination Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors.

Any board member may suggest directorship candidates to the Nomination Committee for its consideration.

Compliant

57. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:

a) Making proposals to the Board of Directors regarding:

i) The remuneration policy for directors and senior officers;

ii) The individual remuneration and other contractual conditions of executive directors.

iii) The standard conditions for senior officer employment contracts.

b) Overseeing compliance with the remuneration policy set by the company.

See sections: *B.1.14 and B.2.3*

Compliant

58. The Remuneration Committee should consult with the chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant

G OTHER INFORMATION OF INTEREST

List and explain below the contents of any relevant principles or aspects of corporate governance applied by the Company that have not been covered by this report.

WITH RESPECT TO SECTION A.10

THERE ARE NO BYLAW-STIPULATED RESTRICTIONS ON THE EXERCISE OF VOTING RIGHTS; NOTWITHSTANDING THE FOREGOING, THE RESTRICTIONS ON THE ACQUISITION OR SALE OF THE SHAREHOLDINGS HELD BY THE SMITHFIELD FOODS GROUP ARE DISCLOSED IN SECTION A.6 AS AN INTEGRAL PART OF THE SHAREHOLDERS AGREEMENT.

WITH RESPECT TO SECTION B.1.3.

AT THE DATE OF THE APPROVAL OF THIS ANNUAL CORPORATE GOVERNANCE REPORT MR. RICHARD JASPER POULSON HAS SUBMITTED HIS RESIGNATION, WHICH HAS BEEN ACCEPTED BY THE BOARD.

WITH RESPECT TO SECTIONS B.1.11 AND B.1.12.

THE LIST OF OFFICERS INCLUDED IN THIS SECTION INCREASED SIGNIFICANTLY IN 2009 IN LINE WITH THE ENLARGED ORGANISATIONAL STRUCTURE PUT IN PLACE FOLLOWING THE MERGER BETWEEN CAMPOFRIO ALIMENTACION AND GROUPE SMITHFIELD AT THE END OF 2008.

IT IS HEREBY NOTED THAT IN 2009 THE BOARD AUTHORISED A MEDIUM TERM INCENTIVE PLAN DESIGNED TO PUT IN PLACE A PERFORMANCE BASED PAY SCHEME TIED TO THE COMPANY'S RESULTS IN 2009-2011, SETTLEMENT OF WHICH, SHOULD THE PLAN TARGETS BE MET, WILL TAKE PLACE IN 2012. AS PART OF THIS PLAN, THE BOARD PROPOSED TO THE SHAREHOLDERS IN GENERAL MEETING – A RESOLUTION THE SHAREHOLDERS RATIFIED – THE GRANT OF UP TO 1,300,000 STOCK OPTIONS TO SEVERAL OFFICERS AND AS MANY AS 140,000 STOCK OPTIONS TO THE CHAIRMAN IN HIS CAPACITY AS EXECUTIVE DIRECTOR. HOWEVER THESE OPTIONS ARE NOT CONSIDERED GRANTED UNTIL THE END OF 2011, AND THEREFORE CANNOT BE EXERCISED UNTIL 2012.

WITH RESPECT TO SECTION B.1.13.

GUARANTEES OR GOLDEN PARACHUTE CLAUSES ARE AUTHORISED BY THE BOARD OF DIRECTORS SUBJECT TO A PRIOR REPORT BY THE NOMINATION AND REMUNERATION COMMITTEE.

WITH RESPECT TO SECTION B.1.15.

THE BOARD OF DIRECTORS DOES NOT OPINE ON THE MAIN CHARACTERISTICS OF PENSION SYSTEMS AS AT PRESENT NO SUCH PLANS ARE IN PLACE.

WITH RESPECT TO SECTION B.1.27.

THE NOMINATION AND REMUNERATION COMMITTEE HAS NO SPECIFIC ESTABLISHED PROCEDURES FOR SELECTING WOMEN CANDIDATES, ALTHOUGH THERE IS NO BIAS IN THE DIRECTOR SELECTION PROCESS. WHEN SELECTING DIRECTORS, MEN AND WOMEN ARE EXTENDED EQUAL OPPORTUNITIES, AS THE BOARD IS SENSITIVE TO GENDER DIVERSITY ISSUES, SPECIFICALLY EQUAL OPPORTUNITIES IN TERMS OF DIRECTORSHIPS.

WITH RESPECT TO SECTION E.2

THERE ARE DIFFERENCES BETWEEN THE REGIME SET FORTH IN THE SPANISH COMPANIES ACT AS RATIFICATION OF THE RESOLUTIONS OUTLINED IN SECTION E.1 REQUIRES A DIFFERENT QUORUM THAN THAT ESTABLISHED IN ARTICLE 103 OF SAID ACT, NAMELY THE FAVOURABLE VOTE OF THE MAJORITY OF THE VOTING CAPITAL PRESENT OR REPRESENTED BY PROXY AT THE MEETING, SO LONG AS THIS MAJORITY REPRESENTS AT LEAST FORTY-FIVE PER CENT OF SUBSCRIBED VOTING SHARE CAPITAL.

WITH RESPECT TO SECTION F.1

ALTHOUGH THERE IS NO BYLAW STIPULATED CAP ON THE NUMBER OF VOTES THAT CAN BE CAST BY A SINGLE SHAREHOLDER, THERE IS ONE RELEVANT LIMITATION, RELATED TO THE SHAREHOLDERS AGREEMENT, AS SET OUT IN SECTION A.6.

WITH RESPECT TO SECTION F.7

THE BOARD IS GUIDED BY THE STATED SPIRIT OF THIS RECOMMENDATION. THERE IS ALSO AN ETHICS CODE WHICH SETS DOWN THE COMPANY'S VALUES.

WITH RESPECT TO SECTION F.19

THE BOARD MEETS EVERY TWO MONTHS PURSUANT TO THE SCHEDULE DRAWN UP AT THE END OF THE PRECEDING YEAR, NOT INCLUDING EXTRAORDINARY MEETINGS SCHEDULED DURING THE YEAR AS REQUIRED. DIRECTORS MAY SUGGEST NEW THAT ITEMS BE INCLUDED IN THE AGENDA AND ADDRESSED AT THEIR DISCRETION.

WITH RESPECT TO SECTION F.24

DIRECTORS RECEIVE ADVICE FROM THE SECRETARY ON MATTERS THAT, AS LEGAL ADVISOR, FORM AN INTEGRAL PART OF HIS/HER DUTIES AND ARE RELATED TO THE CORRECT FUNCTIONING OF THE BOARD OF DIRECTORS. IN ADDITION, ASSISTANCE FROM EXTERNAL ADVISORS CAN BE ENGAGED TO AID THE DIRECTORS ON SPECIFIC MATTERS WHEN WARRANTED, ALTHOUGH TO DATE, NO FORMAL CHANNEL FOR SO DOING HAS BEEN ESTABLISHED. FROM VARIOUS BOARD REGULATION ARTICLES IT CAN BE DEDUCED THAT THE DIRECTORS RECEIVE THE COUNSEL NECESSARY FROM THE SECRETARY TO DISCHARGE THEIR DUTIES, IN RELATION TO MATTERS WHICH IN THE LATTER'S CAPACITY AS LEGAL ADVISOR ARE AN INTEGRAL PART OF HIS/HER JOB AND ARE INHERENT TO THE BOARD'S CORRECT FUNCTIONING. SUCH COUNSEL CAN BE REQUESTED OF THE CHAIRMAN OR DIRECTLY OF THE BOARD SECRETARY. IN ADDITION TO COUNSEL FROM THE SECRETARY, THE DIRECTORS ARE ENTITLED TO REQUEST THE ATTENDANCE AT BOARD MEETINGS OF LEGAL, ACCOUNTING, FINANCIAL OR OTHER EXPERTS, WHOSE PRESENCE SHALL BE FORMALISED BY AN INVITATION FROM THE CHAIRMAN OR SECRETARY TO THE BOARD. THE BOARD REGULATIONS DO NOT STIPULATE A SPECIFIC CHANNEL FOR REQUESTING THE COUNSEL OF EXPERT CONSULTANTS; ACCORDINGLY THE GENERAL CHANNEL ESTABLISHED FOR REQUESTING BROAD ADVISORY IS DEEMED APPLICABLE. SINCE THIS RECOMMENDATION DOES NOT SPECIFY THAT THE CHANNEL BE DEDICATED, BUT RATHER STATES THAT IT SHOULD BE "SUITABLE", THE COMPANY IS DEEMED TO COMPLY WITH THE RECOMMENDATION.

WITH RESPECT TO SECTION F.35

THE BOARD OF DIRECTORS REVIEWS AND APPROVES DIRECTOR COMPENSATION POLICY AND THE RELEVANT AND GENERAL TERMS OF SENIOR MANAGEMENT CONTRACTS. HOWEVER, IT IS WORTH NOTING THAT AT PRESENT THERE ARE NO PENSION PLANS (EXCEPT FOR LIFE AND ACCIDENT INSURANCE). NONETHELESS, IT IS HEREBY NOTED THAT, ALBEIT WITH NO SET FREQUENCY, THE NOMINATION AND REMUNERATION COMMITTEE REVIEWS ALL COMPONENTS OF THE COMPENSATION PACKAGES APPLICABLE TO BOARD MEMBERS AND SENIOR MANAGEMENT, SUBSEQUENTLY REPORTING ITS FINDINGS TO THE BOARD. IN RELATION TO THE CONDITIONS THAT APPLY TO THE CONTRACTS OF DIRECTORS EXERCISING SENIOR MANAGEMENT FUNCTIONS, THE BOARD DOES REVIEW THOSE ASPECTS OF THE EMPLOYMENT OR SERVICE RELATIONSHIPS DEEMED RELEVANT SUCH AS COMPENSATION RELATED COMPONENTS AND WHETHER OR NOT THEY CONTAIN GOLDEN PARACHUTE CLAUSES, ALBEIT WITHOUT ANALYSING OTHER CLAUSES UNLESS THEY ARE CONSIDERED OF INTEREST ON ACCOUNT OF THEIR SIGNIFICANCE. THESE MATTERS ARE NONETHELESS ANALYSED BY THE NOMINATION AND REMUNERATION COMMITTEE.

WITH RESPECT TO SECTION F.38

THE COMPANY'S ANNUAL FINANCIAL STATEMENTS IN RECENT YEARS HAVE CONTAINED NO QUALIFICATIONS THAT WARRANT APPLYING THIS RECOMMENDATION. HOWEVER, IF THEY DID, THE BOARD UPHOLDS THAT IT SHOULD ASSESS THE SUBSTANCE OF THE QUALIFICATION IN ORDER TO DECIDE WHETHER TO CONSIDER AND COMPUTE DEDUCTIONS FROM REMUNERATION. IF, CONVERSELY, IF THE QUALIFICATION ARISES AS A RESULT OF TO TECHNICAL MATTERS THAT DO NOT AFFECT THE OUTCOME OF MANAGEMENT'S EFFORTS, THE BOARD RESERVES THE RIGHT TO RULE SUCH A DEDUCTION OUT.

This section may include any other relevant, but not reiterative information, clarification or detail related to previous sections of the report.

Specifically, indicate whether the Company is subject to corporate governance legislation from any country other than Spain and, if so, include the compulsory information to be provided when this is different from that required for this report.

Binding definition of independent director:

Indicate whether any of the independent directors have or had have any relationship with the Company, its significant shareholders or managers which had it been significant or important would have meant they could not be called independent director within the definition stated in section 5 of the Unified Code:

Yes

Name of director

JUAN JOSE GUIBELALDE IÑURRITEGUI

Type of relationship

CHIEF EXECUTIVE OFFICER

Explanation

MR. GUIBELALDE WAS CHIEF EXECUTIVE UNTIL 2003, A ROLE WHICH DOES NOT PREVENT HIM FROM BEING AN INDEPENDENT DIRECTOR AS THE PRESCRIBED 5-YEAR PERIOD FOR SO QUALIFYING HAS ELAPSED.

Date and signature:

This annual corporate governance report was approved by the Company's Board of Directors at its session of

25/02/09

Indicate whether any Directors have voted against or abstained from voting on the approval of this Report:

No

On February 25, 2010, the members of the Board of Directors of Campofrío Food Group, S,A, (the parent company) have drawn up the consolidated annual accounts, made up of the consolidated statement of financial position, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements for the year ended December 31, 2009, as well as the consolidated management report for the year then ended, signed by each on this page, and by the Secretary to the Board of Directors on all the pages of these documents for identification,

Mr. Pedro Ballvé Lantero
(Chairman)

Mr. Yiannis Petrides
(Vice Chairman)

Mr. Charles Larry Pope
(Board Member)

Mr. Caleb Samuel Kramer
(Board Member)

Mr. Guillermo de la Dehesa Romero
(Board Member)

Mr. Karim Michael Khairallah
(Board Member)

Mr. Luis Serrano Martín
(Board Member)

Mr. Juan José Guibelalde Iñurritegui
(Board Member)

Mr. Alfredo Sanfeliz Mezquita
(Secretary-Non-board member)

Audit Report

CAMPOFRÍO FOOD GROUP, S.A. AND SUBSIDIARIES
(formerly Campofrío Alimentación, S.A.)
Consolidated Financial Statements and Consolidated Management Report
for the year ended
December 31, 2008

ERNST & YOUNG

Ernst & Young, S.L.
Torre Picasso
Plaza Pablo Ruiz Picasso, 1
28020 Madrid
Tel.: 902 365 456
Fax: 915 727 300
www.ey.com/es

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (Note 35)

To the Shareholders of
CAMPOFRÍO ALIMENTACIÓN, S.A.

1. We have audited the consolidated financial statements of CAMPOFRÍO ALIMENTACIÓN, S.A. and its subsidiaries, which comprise the consolidated balance sheet at December 31, 2008, the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity and the notes thereto for the year then ended, the preparation of which is the responsibility of the Parent Company's directors. Our responsibility is to express an opinion on the aforementioned consolidated financial statements taken as a whole, based upon work performed in accordance with auditing standards generally accepted in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the consolidated financial statements, and the evaluation of their presentation, of the accounting principles applied and of the estimates made.

2. In accordance with mercantile law, for comparative purposes the Parent Company's directors have included for each of the captions included in the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and the notes thereto, in addition to the figures of 2008, those of 2007. Our opinion refers only to the consolidated financial statements for 2008. On March 28, 2008 we issued our audit report on the 2007 consolidated financial statements, in which we expressed an unqualified opinion.

3. As indicated in Note 7 of the accompanying notes to the consolidated financial statements, on December 30, 2008 the Group acquired control of the Spanish company, Groupe Smithfield Holdings, S.L. through a merger by absorption and all the assets and liabilities of the latter were transferred to the Parent Company. The absorbed company was a holding company of an international food group. At December 31, 2008 the Group provisionally recognized the business combination at the carrying amount of the assets and liabilities acquired at the date the business was acquired.

Domicilio Social: Pl. Pablo Ruiz Picasso, 1. 28020 Madrid
Inscrita en el Registro Mercantil de Madrid al
Tomo 12749, Libro 0, Folio 215, Sección 8ª,
Hoja M-23123, Inscripción 116. C.I.F. B-78970506

4. In our opinion, the accompanying 2008 consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and financial position of CAMPOFRÍO ALIMENTACIÓN, S.A. and its subsidiaries at December 31, 2008 and the consolidated results of its operations, consolidated cash flows and changes in consolidated equity for the year then ended and contain the required information necessary for their adequate interpretation and comprehension, in conformity with the international financial reporting standards adopted by the European Union which are consistent with those applied to the figures and information corresponding to the 2007 consolidated financial statements.

5. The accompanying consolidated management report for the year ended December 31, 2008 contains such explanations as the Parent Company's directors consider appropriate concerning the situation of CAMPOFRÍO ALIMENTACIÓN, S.A. and its subsidiaries, the evolution of their business and other matters, and is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the consolidated management report mentioned above agrees with the consolidated financial statements, for the year ended December 31, 2008. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of the consolidated companies.

ERNST & YOUNG, S.L.

Teresa Pérez

María Teresa Pérez Bartolomé

February 27, 2009

CAMPOFRÍO FOOD GROUP, S.A.
(formerly Campofrío Alimentación, S.A.)

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
2008

CONTENTS

CAMPOFRÍO FOOD GROUP, S.A. (FORMERLY CAMPOFRÍO ALIMENTACIÓN, S.A.)
AND SUBSIDIARIES

Consolidated Balance Sheets at December 31,
(Thousands of euros)

Assets	Note	2008	2007
Property, plant and equipment	6	609,770	329,127
Goodwill	7	391,689	135,429
Other intangible assets	8	179,835	11,211
Non-current financial assets	9	6,641	6,346
Investments accounted for under the equity method	10	16	53
Biological assets		412	1,968
Deferred tax assets	27	61,777	16,390
Other non-current assets		-	1,932
Non-current assets		1,250,140	502,456
Biological assets		2,217	2,671
Inventories	11	318,698	209,364
Trade and other receivables	12	266,207	105,748
Other current financial assets	13	1,157	1,108
Other current assets		3,121	398
Cash and cash equivalents	14	119,801	223,359
Current assets		711,201	542,648
Assets classified as held for sale and discontinued operations	15	-	1,909
TOTAL ASSETS		1,961,341	1,047,013

Equity and Liabilities	Note	2008	2007
Issued capital		102,221	52,644
Share premium		429,719	173,012
Other reserves		89,783	68,315
Translation differences		(840)	1,682
Treasury shares		(6,741)	(13,757)
Profit (loss) attributable to equity holders of the parent		(5,849)	32,153
Equity attributable to equity holders of the parent		608,293	314,049
Equity attributable to minority interests		9,965	14,878
Equity	16	618,258	328,927
Debentures	17	226,806	208,144
Interest-bearing loans and borrowings	18	150,583	13,576
Other financial liabilities	19	70,479	86,654
Deferred tax liabilities	27	139,754	28,774
Other non-current liabilities	20	19,098	20,659
Provisions	21	39,115	13,576
Non-current liabilities		645,835	371,383
Debentures	17	2,658	103
Interest-bearing loans and borrowings	18	79,841	49,122
Trade and other payables	22	456,730	279,791
Other financial liabilities	24	4,250	536
Income tax payable	27	12,705	2,439
Provisions	21	23,899	143
Other current liabilities	23	117,165	14,569
Current liabilities		697,248	346,703
Total liabilities		1,343,083	718,086
TOTAL EQUITY AND LIABILITIES		1,961,341	1,047,013

CAMPOFRÍO FOOD GROUP, S.A.
(FORMERLY CAMPOFRÍO ALIMENTACIÓN, S.A.)
AND SUBSIDIARIES

Consolidated Income Statements
for the years ended December 31,
(Thousands of euros)

	Note	2008	2007
Operating revenues			
Net sales and services	28	921,829	893,157
Increase in inventories of finished goods and work in progress		5,600	-
Capitalized expenses of Company work on assets		460	617
Other operating revenues		7,010	20,505
		934,899	914,279
Operating expenses			
Decrease in inventories of finished goods and work in progress		-	3,327
Consumption of goods and other external charges		469,456	432,348
Employee benefits expense	29	155,328	148,339
Depreciation and amortization		27,851	27,895
Changes in trade provisions		1,356	11,784
Other operating expenses		232,726	223,322
		886,717	847,015
CONSOLIDATED OPERATING PROFIT		48,182	67,264
Finance revenue			
Income on loans and other marketable securities		-	264
Other interest and similar income		7,042	6,127
Exchange rate gains		23,718	16,602
Change in fair value of financial instruments		-	1,762
		30,760	24,755
Finance costs			
Interest-bearing loans and borrowings		18,794	15,834
Other finance costs		4,227	6,956
Change in fair value of financial instruments		1,449	-
Exchange losses		25,013	17,420
		49,483	40,210
NET FINANCE COST		(18,723)	(15,455)
Impairment of assets		(3,000)	(170)
Share of profit (loss) of investments accounted for using the equity method	Appendix V	(202)	(475)
Gain (loss) on disposal of non-current assets		-	10,094
PROFIT BEFORE TAX		26,257	61,258
Income taxes	27	(12,848)	(15,435)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		13,409	45,823
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	15	(18,589)	(13,020)
PROFIT (LOSS) FOR THE YEAR		(5,180)	32,803
Attributable to:			
Minority interests		669	650
Equity holders of the parent		(5,849)	32,153
Earnings per share for continuing operations:	4		
- basic, for profit for the year attributable to equity holders of the parent		0.246	0.866
- diluted, for profit for the year attributable to equity holders of the parent		0.246	0.866
Earnings per share:			
- basic, for profit for the year attributable to equity holders of the parent		(0.113)	0.616
- diluted, for profit for the year attributable to equity holders of the parent		(0.113)	0.616

CAMPOFRÍO FOOD GROUP, S.A.
(FORMERLY CAMPOFRÍO ALIMENTACIÓN, S.A.)
AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT
for the years ended December 31,
(Thousands of euros)

	Notes	2008	2007
Profit after tax from continuing operations		13,409	45,823
Loss before tax from discontinued operations	15	(18,589)	(13,020)
Depreciation/amortization of assets		27,851	27,895
Impaitment of assets		3,000	-
Adjustment to reconcile profit before tax to net cash flows		44,635	44,014
Operating profit before changes in working capital		70,306	104,712
Working capital adjustments		(2,387)	25,491
Cash flows from operating activities		67,919	130,203
Net interest expense		(15,043)	(16,563)
Payments for restructuring		-	(7,400)
Income tax paid		(2,349)	(5,234)
Receipt of government grants		554	881
Net cash flows from operating activities		51,081	101,887
Proceeds from sale of subsidiaries		5,594	269
Purchase of property, plant and equipment		(47,619)	(22,023)
Proceeds from sale of property, plant and equipment		839	13,691
Investments in group companies		(10,000)	(12,000)
Purchase of other financial assets		(2,296)	-
Acquisitions of minority interests		(4,548)	(2,170)
Acquisitions of subsidiaries	7	(3,284)	-
Collection of loans granted		398	7,113
Net cash flows used in investing activities		(60,916)	(15,120)
Change in current financial liabilities		(307)	(24,877)
Change in non-current financial liabilities		(4,219)	(36,089)
Purchase of treasury shares		(11,486)	(6,978)
Dividends paid to parent company shareholders		(12,000)	(29,487)
Dividends paid to minority interests		(293)	-
Removal from consolidation scope		9,582	24,944
Repayment of borrowings	18	(75,000)	-
Net cash flows used in financing activities		(93,723)	(72,487)
Net increase in cash and cash equivalents		(103,558)	14,280
Cash and cash equivalents at January 1	14	223,359	209,079
Cash and cash equivalents at December 31	14	119,801	223,359
		(103,558)	14,280

CAMPOFRÍO FOOD GROUP, S.A. (FORMERLY CAMPOFRÍO ALIMENTACIÓN, S.A.) AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2008
(Thousands of euros)

	Equity attributable to equity holders of the parent								
	Issued capital (Note 16)	*Share premium (Note 16)*	*Other reserves*	*Translation differences*	*Profit for the year attributable to equity holders of the parent*	*Treasury shares*	*Total*	*Minority interests*	*Total equity*
Balance at December 31, 2007	52,644	173,012	68,315	1,682	32,153	(13,757)	314,049	14,878	328,927
Change in measurement of derivative financial instruments	-	-	1,913	-	-	-	1,913	-	1,913
Net increase in reserves for foreign currency translation differences	-	-	-	(1,413)	-	-	(1,413)	(33)	(1,446)
Total income and expense for the year recognized directly in equity	-	-	1,913	(1,413)	-	-	500	(33)	467
Profit for the year 2008	-	-	-	-	(5,849)	-	(5,849)	669	(5,180)
Total income and expense for the year	-	-	1,913	(1,413)	(5,849)	-	(5,349)	636	(4,713)
Distribution of 2007 profit:									
To voluntary reserves	-	-	37,588	-	(37,588)	-	-	-	-
To reserves at consolidated companies	-	-	(4,326)	(1,109)	5,435	-	-	-	-
Capital increases.	49,577	321,260	-	-	-	-	370,837	-	370,837
Dividends									
Dividends paid at June 17, 2008	-	(17,403)	(12,000)	-	-	17,310	(12,093)	-	(12,093)
Dividends paid at October 24, 2008	-	(47,150)	-	-	-	-	(47,150)	-	(47,150)
Measurement of other own equity instruments	-	-	(1,912)	-	-	-	(1,912)	-	(1,912)
Transactions with own equity instruments (net)	-	-	-	-	-	(10,294)	(10,294)	-	(10,294)
Dividends of subsidiaries	-	-	-	-	-	-	-	(293)	(293)
Acquisition of minority interests	-	-	-	-	-	-	-	(5,256)	(5,256)
Other movements	-	-	205	-	-	-	205	-	205
Balance at December 31, 2008	102,221	429,719	89,783	(840)	(5,849)	(6,741)	608,293	9,965	618,258

CAMPOFRÍO FOOD GROUP, S.A. (FORMERLY CAMPOFRÍO ALIMENTACIÓN, S.A.) AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2007
(Thousands of euros)

	Equity attributable to equity holders of the parent								
	Issued capital (Note 16)	Share premium (Note 16)	Other reserves	Translation differences	Profit for the year attributable to equity holders of the parent	Treasury shares	Total	Minority interests	Total equity
Balance at December 31, 2006	52,644	202,499	33,274	3,616	30,093	(36,124)	286,002	16,453	302,455
Change in measurement of derivative financial instruments	-	-	4,789	-	-	-	4,789	-	4,789
Net increase in reserves for foreign currency translation differences	-	-	-	(1,934)	-	-	(1,934)	(26)	(1,960)
Total income and expense for the year recognized directly in equity	-	-	4,789	(1,934)	-	-	2,855	(26)	2,829
Profit for the year 2007	-	-	-	-	32,153	-	32,153	650	32,803
Total income and expense for the year	-	-	4,789	(1,934)	32,153	-	35,008	624	35,632
Distribution of 2006 profit:									
To dividends	-	(29,487)	-	-	-	29,487	-	-	-
To voluntary reserves	-	-	39,962	-	(39,962)	-	-	-	-
To reserves at consolidated companies	-	-	(9,869)	-	9,869	-	-	-	-
Measurement of other own equity instruments	-	-	159	-	-	-	159	-	159
Sale of treasury shares	-	-	-	-	-	9,455	9,455	-	9,455
Purchase of treasury shares	-	-	-	-	-	(16,575)	(16,575)	-	(16,575)
Dividends of subsidiaries	-	-	-	-	-	-	-	(321)	(321)
Acquisition of minority interests	-	-	-	-	-	-	-	(1,878)	(1,878)
Balance at December 31, 2007	52,644	173,012	68,315	1,682	32,153	(13,757)	314,049	14,878	328,927

1. CORPORATE INFORMATION

Campofrío Food Group, S.A. (the parent Company), with registered office at Avda. de Europa, Parque Empresarial la Moraleja in Alcobendas (Madrid), was incorporated as a private limited company in Spain on September 1, 1944, under the registered name Conservera Campofrío, S.A. On June 26, 1996 the Company's name was changed to Campofrío Alimentación, S.A. and on December 30, 2008, it was changed to its current name, Campofrío Food Group, S.A.

Campofrío Food Group, S.A. is the parent of a Group of companies consolidated under the full and equity consolidation methods. Appendix I provides the breakdown of the companies included in the Campofrío Group consolidation scope, along with their activities, registered addresses and the percentage of ownership.

The parent company manufactures and sells products for both human and animal consumption. The principal activity of the parent company and the Group companies are to manufacture, sell and distribute processed and canned meat and derivatives from pork and beef by-products and other food products.

The Group operates throughout Spain from factories in Burgos, Villaverde (Madrid), Torrijos (Toledo), Ólvega (Soria), Torrente (Valencia) and Trujillo (Cáceres) and through its subsidiaries in Romania and Portugal. In addition, as of December 30, 2008, the Group operates through its subsidiaries in the United Kingdom, Belgium, France, Germany, Italy, Portugal and the Netherlands (Note 7).

Through its subsidiaries, the Group operated in Russia until June 30, 2008 and in France until April 18, 2007 (Note 15).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

a) *Basis of presentation*

The accompanying consolidated financial statements were prepared by the directors of the parent company in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU-IFRS) in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council.

The Campofrío Group has adopted the latest versions of all applicable standards issued by the EU Accounting Regulatory Committee (EU-IFRS) which are deemed mandatory at December 31, 2008 and has opted for the early adoption of IFRS 8 Operating Segments.

The "International Accounting Standards Board" (IASB) issued IFRS 8 on November 8, 2006. IFRS 8 replaced IAS 14, "Segment Reporting" as of its effective date. IFRS 8 replaced IAS 14, "Segment Reporting" as of its effective date. The Group opted for early adoption of IFRS 8 as of January 1, 2008, and considered its operating segments as determined by IFRS 8 to be the same as its business segments pursuant to IAS 14.

Disclosures required pursuant to IFRS 8 are shown in Note 3, including comparative information for 2007.

The 2008 individual financial statements of each Group company will be presented for approval at the respective General Shareholders' Meetings within the periods established by prevailing legislation. The directors of the parent company consider that no significant changes will be made to the 2008 consolidated financial statements as a result of these meetings. The Campofrío Group's consolidated financial statements for 2008 are drawn up by the parent company's Board of Directors on March 27, 2009. They are expected to be approved by the parent company's shareholders in general meeting without modification.

The figures contained in the documents which make up the consolidated financial statements are expressed in thousands of euros, unless otherwise indicated.

b) *Comparison of information*

As required by IAS 1, for comparative purposes, the information contained in these consolidated financial statements for 2007 is presented with the information relating to 2008 and does not in itself constitute the consolidated financial statements for 2007.

c) *Draft IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)*

The Campofrío Group has applied all the standards or interpretations issued and in force at January 1, 2008.

As of the date these consolidated financial statements were approved for their submission to the General Shareholders' Meeting, the Group has elected not to implement the early application of the following non-mandatory IFRS standards and interpretations:

Standards and amendments		Mandatory in financial years beginning on or after
Amendment to IAS 23	Interest expense	January 1, 2009 (**)
Amendment to IAS 1	Presentation of Financial Statements– Revised presentation	January 1, 2009
Revised IFRS 3 (*)	Business combinations	July 1, 2009
Revised IFRS 27 (*)	Individual and consolidated financial statements	July 1, 2009
Amendment to IFRS 2	Share-based payments: Vesting conditions and cancellations	January 1, 2009
Amendments to IAS 32 and IAS 1	Puttable financial instruments and obligations arising on liquidation	January 01, 2009
Amendments to IAS 1 and IAS 27	Cost of an investment in a group company, associate or joint venture	January 01, 2009
Amendment to IAS 39 (*)	Eligible hedged items	July 01, 2009
Revised IFRS 1 (*)	First-time adoption of IFRS	July 01, 2009
IFRS improvements		January 1, 2009 (***)

(*) Not adopted by the European Union

(**) Financial costs related to qualified capitalized assets as of January 1, 2009.

(***) Improvements to IFRS 5 are applicable in financial years beginning on or after July 1, 2009.

Interpretations		Mandatory in financial years beginning on or after
IFRIC 12 (*)	*Service Concession Arrangements*	January 01, 2009
IFRIC 13	*Customer Loyalty Programs*	July 01, 2008
IFRIC 14	*IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	January 01, 2009
IFRIC 15 (*)	*Agreements for the Construction of Real Estate*	January 01, 2009
IFRIC 16 (*)	*Hedge of a net investment in a foreign operation.*	October 01, 2008
IFRIC 17 (*)	*Distributions of Non-cash Assets to Owners*	July 01, 2009
IFRIC 18 (*)	Transfers of Assets from Customers	July 01, 2009 (**)

(*) Not adopted by the European Union

(**) Applies to transactions carried out on or after July 1, 2009.

The IAS 1 Amendment requires disclosure to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

The Group is currently analyzing the material impact of the adoption of the aforementioned standards, amendments and interpretations. Given that the number of modifications is significant, they may have some impact on the consolidated financial statements in the period of their initial application.

d) Accounting policies

The accompanying consolidated financial statements are made up of the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the financial statements, which are integral part of the consolidated financial statements. These consolidated financial statements are presented in accordance with historical cost principles except for financial instruments held for trading and available-for-sale financial assets that have been measured at fair value. Non-current assets held for sale have been measured at the lower of their carrying amount or fair value less cost to sell.

Accounting policies have been applied in a consistent manner by all Group companies.

The main accounting principles applied by the Campofrío Group in the preparation of the consolidated financial statements under EU-IFRS are as follows:

d.1) Use of estimates

The preparation of the financial statements under EU-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities at the reporting date. These estimates and assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amount of the assets and liabilities that are not readily apparent from other sources. However, uncertainty inherent in these assumptions and estimates could result in outcomes that could require an adjustment to the carrying amount of the asset or liability affected in the future.

<u>Estimates and assumptions</u>

Estimates and assumptions are reviewed on an ongoing basis. The impact of changes in accounting estimates is recognized in the period in which the estimates are changed if they affect only that period, or in the period of the changes and future periods if they affect both current and future periods. The estimates made by the Group relate mainly to:

- Impairment of non-current assets

When measuring non-current assets other than financial assets, especially goodwill, estimates must be made to determine their fair value to assess if they are impaired. To determine fair value, the directors estimate, where applicable, the expected cash flows from assets and the cash-generating units to which they belong, applying an appropriate discount rate to calculate the present value of these cash flows.

- Pensions and other post-employment benefits

The cost of defined benefit pension plans is determined by actuarial valuations. The actuarial valuations require the use of hypotheses on the discount rate, the return on assets, salary increases, mortality tables and social security pension increases. These estimates are subject to significant uncertainties given that such plans are liquidated in the long-term (Note 21).

- Calculation of fair value, value in use, and present values

Fair value, value in use, and current values are calculated based on assumptions related to the value of future cash flows and related discount rates. Estimates and assumptions based on historic experience and other factors are considered reasonable given the circumstances.

- Fair value of financial instruments

When the fair value of financial assets and liabilities recognized on the consolidated balance sheet cannot be measured in accordance with a reliable valuation on the active market, the Group applies valuation methodologies such as discounted cash flow analyses.

- Deferred tax assets

Deferred tax assets are recognized for all unused tax loss carryforwards for which it is probable that future taxable profit will be available against which these assets may be utilized. To determine the amount of deferred tax assets that can be recognized, the directors estimate the amounts and dates on which future taxable profits will be obtained and the reversion period of taxable temporary differences.

- Provisions related to current claims and ongoing lawsuits

The Group has made judgments and estimates as to the likelihood that risks will materialize that could require that a provision be recognized, as well as the corresponding amounts. Accordingly, a provision is recognized only when the risk is considered probable, estimating the cost that would be generated by the obligating event.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have a significant effect on the amounts recognized in the consolidated annual financial statements:

Operating lease commitments – Group as lessor

The Group has entered into leases to carry out its business. The Group has determined, based on an evaluation of the terms and conditions of some of the arrangements, that it retains all the risks and rewards of ownership of the assets and so accounts for the contracts as operating leases. Operating lease payments are recognized as an expense in the consolidated income statement on a straight line basis over the lease term.

d.2.) Basis of consolidation

The consolidated financial statements comprise the financial statements of Campofrío Food Group, S.A. and subsidiaries. The financial statements for the subsidiaries have the same financial year end as the parent company's and have been prepared using the same accounting standards. Any restatements necessary due to differences in accounting criteria have been made.

The information relating to subsidiaries and associates, as well as each company's contribution to consolidated results, is shown in Appendixes I (Breakdowns of Group companies) and VI (Breakdown and composition of minority interests and the contribution to consolidated results), which form an integral part of this note.

d.2.1 Consolidation principles

Subsidiaries are consolidated from the date on which control is obtained from the company to the Group, and cease to be consolidated from the moment when that control is transferred away from the Group. In the event of the Group losing control of a subsidiary, the consolidated financial statements include the results of the portion of the year during which the Group held control.

d.2.2 Subsidiaries

The full consolidation method is used for companies within the consolidation scope: (i) in which the parent company has a direct or indirect interest greater than 50% and holds a majority of the voting rights in the corresponding governing bodies; (ii) in which the ownership interest is 50% or less and the parent company has control over the management.

d.2.3 Associates

Companies over which the Campofrío Group holds no control, but exercises significant influence, have been consolidated under the equity method. For the purposes of the preparation of the consolidated financial statements, the Group has been deemed to exercise significant influence over the companies in which it holds an interest of more than 20%, with the exception of specific cases in which the Group holds a smaller percentage interest but there is clear evidence of the existence of significant influence.

d.2.4 Transactions between companies included in the consolidation scope

The following transactions and balances have been eliminated on consolidation:

- Reciprocal receivables and payables and the expenses and income from intra-Group transactions.

- Income from the purchase and sale of property, plant and equipment and unrealized gains on inventories, if the amount is significant.

- Internal dividends and debit balance due to interim dividends recorded by the company that paid them.

d.2.5 Year-end dates

The closing date for the financial statements of the companies making up the Campofrío Group is December 31.

d.2.6 Minority interests

Minority interests represent the portion of profit or loss and net equity not held by the Group.

The value of the share of minority interests in equity and results for the year of consolidated subsidiaries is shown in "Equity attributable to Minority interests" on the consolidated balance sheet and in "Profit (loss) attributable to Minority interests" in the consolidated income statement, respectively.

d.2.7 Translation of financial statements of foreign subsidiaries

The consolidated annual financial statements are presented in euros, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The balance sheet and income statement headings of consolidated foreign companies are translated to euros at the year-end exchange rate, which means:

- All assets, rights and liabilities are translated to euros at the exchange rate ruling at the close of the foreign subsidiaries' accounts.

- Income statement headings are translated at the average exchange rate.

The difference between the equity of foreign companies, including the balance of the income statement, translated at year–end exchange rates and the equity obtained translating the assets, rights and liabilities by applying the criteria set forth above are shown under "Translation differences", under equity in the consolidated balance sheet.

d.3.) Business combinations and goodwill

Business combinations are recognized through the acquisition method.

Goodwill acquired in a business combination is initially measured at cost; i.e. the excess of the cost of the business combination over the parent company's interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired from the investee.

If the parent company's interest in the fair value of the identifiable assets, liabilities and contingent liabilities exceed the cost of the business combination, the parent company reconsiders the identification and measurement of the assets, liabilities and contingent liabilities of the acquiree, as well as the measurement of the cost of the business combination. It recognizes any excess that continues to exist after this reconsideration in profit and loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units or groups of cash-generating units expected to benefit from the combination's synergies, irrespective of whether other Group assets or liabilities are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or groups of cash-generating units to which the goodwill relates. If the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, the Group recognizes an impairment loss.

Goodwill impairment losses cannot be reversed in future periods.

d.4. Other intangible assets

Other intangible assets acquired by the Group are stated at cost less accumulated amortization and any accumulated impairment losses. The cost of other intangible assets acquired in a business combination is fair value as of the date of acquisition.

Internally generated intangible assets -excluding capitalized development costs- are not capitalized. Costs are charged against profits for the year in which they were incurred.

An intangible asset is recognized only if it is probable that it will generate future income for the Group and that its cost can be reliably measured.

Costs incurred in each particular development project are capitalized when the Group can demonstrate the technical viability of completing the intangible asset in order to use it or sell it, the intention of completing the asset use it or sell it, the ability to generate future economic benefits, the availability of resources to complete it, and its ability to measure expenditure attributable to the intangible asset reliably. Following initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and any accumulated impairment losses. Capitalized development costs are amortized over the period of expected future sales from the related project.

The parent company assesses the intangible asset's useful life to be either finite or indefinite.

The amortization expense on other intangible assets with finite lives is recognized in the income statement on a straight-line basis over their estimated useful life. Intangible assets are amortized from the date they are available for use. The amortization percentages used are as follows:

Software	20%-25%
Patents and licenses	5%-33%

Intangible assets with indefinite useful lives, which are limited to brand names, are not amortized and are assessed for impairment at least annually. The assessment of the indefinite useful life of these assets is reviewed annually.

Gains or losses arising from the disposal of an intangible asset are carried at the difference between the net proceeds and the carrying amount of the asset and recorded in the income statement when the asset is disposed.

d.5) Property, plant and equipment

Property, plant and equipment are stated at acquisition or production cost, which includes all costs and expenses directly related to the assets acquired until they are available for use and legal revaluations made by the Group up to the transition date to adjust the value of the assets to inflation, less accumulated depreciation and any impairment loss.

Leased assets in which the terms of the contract transfers to the Group substantially all the risks and benefits incidental to ownership are classified as leases. Assets acquired under financial lease arrangements are recognized, based on their nature, at the fair value of the leased item or, if lower, the present value at the commencement of the lease of the minimum lease payments. A financial liability is recorded for the same amount. Lease payments are apportioned between finance charges and reduction of the lease liability. These assets are depreciated, impaired, and derecognized using the same criteria applied to assets of a similar nature.

Subsequent expenses incurred in connection with the asset are only capitalized when such expenses increase the future economic benefits of the related asset.

All other expenses are charged to the consolidated income statement when incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognized.

The depreciation expense is recognized in the income statement on a straight-line basis over the estimated useful life of each asset. The assets are depreciated from the moment they are available for use.

Depreciation is calculated on a straight-line basis to write off the cost of the assets over their estimated useful lives, as follows:

Buildings	33 - 50
Plant and machinery	5 - 16
Other installations, tools and furniture	4 - 17
Other	4 - 13

At each year end, the Group reviews and adjusts, where necessary, the assets' residual values, useful lives and depreciation method.

In accordance with the accounting treatment allowed by IAS 23, borrowing costs that are directly attributable to the acquisition or development of property, plant and equipment are capitalized when assets require more than a year to be ready for use.

d.6) Financial Assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

The Group determines the classification of its financial assets on initial recognition and re-evaluates this designation at each financial year end.

Financial investments classified as held for trading are measured at fair value, with any resulting gain or loss recognized in the income statement. Fair value is the market price at the consolidated balance sheet date.

Loans, receivables, and financial investments which the Group has the positive intent and ability to hold to maturity are recorded at their amortized cost using the effective interest method, less any impairment losses.

Loans and receivables in the consolidated balance sheet maturing in 12 months or less from the consolidated balance sheet date are classified as current and those maturing in over 12 months as non-current. In relation to loans and receivables, the Group makes a provision for impairment when there is objective evidence that an impairment loss has been incurred and circumstances are such that they can reasonably be classified as bad or doubtful debts.

Other financial investments held by the Group are classified as available-for-sale and are measured at their fair value. Any changes in fair value are recognized directly in equity ("Other reserves") except impairment losses, which are included directly in the consolidated income statement. When these investments are sold, any accumulated gains or losses directly recognized in equity are included in the consolidated income statement.

If an available-for-sale investment has no reference market price in an active market and there is no other way to reasonably determine its fair value, the investment is carried at cost less any impairment loss.

Financial assets classified as held for trading are included in the category "Financial assets at fair value through profit and loss". Financial assets are classified as held for trading when they are acquired for the purpose of selling in the near future. Derivatives are also classified as held for trading unless they are effective hedging instruments and identified as such. Gains or losses on financial assets held for trading are recognized in the income statement. The Group assesses whether derivatives must be separated from the related contracts at the time the Group becomes a party to them. Revaluation is made only if a change in the terms of the contract has a significant impact on cash flows.

The Group derecognizes a financial asset when it has transferred its rights to receive cash flows from the asset or when the Group retains these rights, but has assumed an obligation to pay them to a third party or has transferred substantially all the risks and rewards of the asset.

In the transfer of assets where the Group retains substantially all the risks and rewards of the asset, the transferred financial asset is not derecognized. A financial liability is recognized for the same amount as the consideration received and the asset is subsequently measured at amortized cost. The transferred financial asset is measured using the same criteria as for the asset. Both the revenue from the financial asset transferred and the cost of the financial liability are recognized in the consolidated income statement profit or loss, without offsetting.

d.7) Investments accounted for under the equity method

Group investments in associates are accounted for under the equity method of accounting. Under the equity method, investment in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate less any impairment losses. The consolidated income statement reflects the percentage interest in the results of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of the change in "Other reserves" and discloses this, when applicable, in the statement of changes in equity.

d.8) Impairment of assets

d.8.1 Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by EBITDA valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the cash-generating units to which the asset belongs.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the consolidated income statement.

Impairment losses in respect of Cash-Generating Units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and, then, to reduce the carrying amount of the other assets based on a review of the individual assets that show indications of impairment.

Except in the case of goodwill, a previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount. Such reversal is recognized in the consolidated income statement.

The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset.

The following criteria are also applied in assessing impairment of specific assets:

- The Group tests goodwill and intangible assets with indefinite useful lives for impairment annually or more frequently when circumstances or changes in circumstances indicate that the carrying value may be impaired.

- Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units. Where the recoverable amount of a cash-generating unit is less than its carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at December 31, 2008.

d.8.2 Impairment of financial assets

When a decline in the fair value of an available–for-sale financial asset has been directly recognized in equity and there is objective evidence that the asset is impaired, the cumulative losses previously reported in equity are included in the income statement. The cumulative loss recognized in profit or loss is the difference between cost and current fair value.

Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit for the year.

If the fair value of a debt instrument classified as available for sale increases and this increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, this loss can also be reversed in the consolidated income statement.

The recoverable amount of held-to-maturity investments and loans and receivables at their amortized cost is calculated as the present value of expected future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is not recognized in profit or loss for the year. Current investments are not shown at their discounted value.

Impairment losses related to "Loans and receivables" recognized at amortized cost are reversed if the subsequent increase in the recoverable amount can be objectively related to an event occurring after the impairment loss was recognized.

d.9) Biological assets

Biological assets are measured both initially and at year end at fair value less estimated costs to sell. Gains or losses arising on initial recognition of a biological asset at fair value less estimated costs to sell caused by subsequent changes in fair value less estimated costs to sell are included in the consolidated income statement of the financial year in which they arise.

d.10) Inventories

Inventories are valued at the lower of acquisition or production cost and net realizable value, generally by applying the following criteria:

- Commercial inventories, raw materials and other consumables: average weighted cost and in certain Group companies purchase costs on a FIFO (first-in, first-out) basis; both criteria are equivalent.

- Finished goods and work in progress: generally at the average cost of raw and other materials consumed and, in certain Group companies, on a FIFO basis. Both valuation criteria are equivalent and include the applicable portion of direct and indirect labor costs and manufacturing overheads.

When determining the value of inventories of finished goods a degree of wastage must be taken into account for products that undergo a curing process.

Net realizable value is the estimated selling price in the ordinary course of the Group's business, less estimated costs of completion and the estimated costs necessary to the make the sale.

The cost of hams with curing periods of more than a year includes the cost of interest charges directly attributable to their production, which can be calculated according to each product's degree of curing. Capitalized interest on inventories at December 31, 2008 and 2007 amounts to 4,393 and 4,002 thousand euros, respectively.

d.11) Trade and other receivables

Trade receivables are carried on the accompanying consolidated balance sheet at their amortized cost, net of the amounts ceded in keeping with the securitization agreement signed by the parent company.

Discounted bills pending maturity at December 31 are included in the accompanying consolidated balance sheets under "Trade receivables," with a balancing entry in "Interest-bearing loans and borrowings."

The Group makes provisions for bad or doubtful debts to cover balances of a certain age or if circumstances exist that allow them to be reasonably classified as doubtful debts.

d.12) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less and not exposed to significant changes in value.

In terms of the consolidated cash flow statement, occasional bank overdrafts used as part of the Group's cash management strategy are recognized as a decrease in cash and cash equivalents.

d.13) Capital increase costs

Capital increase costs are recognized in "Capital and reserves" net of any tax effect.

d.14) Treasury shares

Parent company shares held by the Group are deducted from equity. No gain or loss is recognized in profit or loss for the year on the purchase, sale or cancellation of the treasury shares. Consideration paid or received is recognized directly in consolidated equity.

d.15) Provisions

Provisions are recognized in the consolidated balance sheet where the Group has a present obligation (either legal or tacit) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Amounts recognized as provisions are the best estimate of the amounts required to offset the current value of those obligations at the consolidated balance sheet date.

Provisions are reviewed at each consolidated balance sheet date and adjusted to reflect the current best estimate of the liability.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

d.16) Financial liabilities

Financial liabilities are initially measured at fair value less attributable transaction costs. After initial recognition, financial liabilities are measured at amortized cost, with any differences between cost and redemption value recorded in the consolidated income statement over the period of the borrowings using the effective interest rate method.

Contracts that require an entity to repurchase own shares for cash or other financial assets give rise to a financial liability for the present value of the redemption amount. When the financial liability is initially recognized under IAS 39, its fair value (the present value of the redemption amount) is reclassified as equity. Subsequently, the financial liability is recorded under IAS 39. If the contract expires before the cash is paid, the carrying amount of the financial liability is reversed to equity.

Liabilities maturing in less than 12 months from balance sheet date are classified as current, while those with longer maturity periods are classified as non-current.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

d.17) Transactions in foreign currency

Transactions in foreign currency are translated to euros at the exchange rate ruling at the date of the transaction. Gains or losses from foreign currency transactions are recognized in the consolidated income statement as they occur.

Receivables and payables in foreign currency are translated to euros at the year-end exchange rate. Unrealized exchange differences on transactions are included in the consolidated income statement.

d.18) Pensions and other post-employment benefits

The parent company and certain Group companies supplement the retirement, orphan and widowhood pensions of certain employees or the beneficiaries of these employees. These commitments are based on individual agreements with employees on an entirely voluntary basis and are not binding for other employees. The Group has estimated accrued actuarial liabilities at December 31, 2008 and 2007, having recorded provisions under "Provisions for liabilities and charges" under liabilities on the consolidated balance sheets.

The Group is also obliged to pay bonuses to certain employees on the basis of length of service. Liabilities accrued in this regard are included under "Provisions" on the consolidated balance sheets.

The Group also has post-employment retirement benefit obligations for certain employees in the Netherlands, France and Belgium. The commitments are mainly based on years of service and compensation levels. Some of the commitments in the Netherlands require contributions to independently managed funds. In several countries, the Group must offer early retirement benefit plans and seniority bonuses. The cost of benefits within the framework of defined benefit pension commitments is determined separately for each plan, based on the application of the projected credit unit valuation method. The Group recognizes the difference between the present value of defined benefit obligations and the fair value of plan assets, plus past service costs not yet recognized, in the consolidated balance sheet. If this difference represents an asset, its value cannot exceed the present value of economic benefits, which can be returned to the Group in the form of direct refunds or a reduction in future contributions, plus, where applicable, the portion of unrecognized past service costs.

All changes in these amounts are recognized in the income statement, except:

- Actuarial gains and losses, which are recognized directly in consolidated equity as reserves.
- The amount which cannot be recognized as an asset, since it exceeds the present value of defined benefits that can be returned to the Group in the form of direct refunds or reductions in future contributions, plus the portion of past service costs pending allocation to results, which is recorded directly in reserves.

Past service costs arising upon setting up a new defined benefit plan or improving the benefits of an existing plan are expenses as follows:

- Unvested rights are recognized immediately.
- Vested rights are recognized on a straight-line basis over the average period until the benefits become vested, except in the case of a defined benefit asset, which is recognized immediately.

d.19) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, its fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset.

d.20) Income taxes

Corporate income tax in the consolidated income statement includes current and deferred income tax. Income tax expense is recognized in the consolidated income statement except when the tax is directly related to equity, in which case the tax is recognized accordingly in this caption.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities taking the tax rates prevailing at the consolidated balance sheet date and including any tax adjustments from previous years.

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

The Group recognizes deferred tax liabilities for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group recognizes deferred income tax assets for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, and the carryforward of unused tax credits or losses can be utilized, except:

- where the deferred income tax relating to the deductible temporary difference arises from the initial recognition of an asset or liability a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assts are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the differed income tax asset to be utilized. The Group also reviews unrecognized deferred income tax assets at each balance sheet date and recognizes them to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the consolidated balance sheet date.

d.21) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

All derivative instruments are acquired to hedge the Group's risks associated with interest rate and foreign currency fluctuations. However, in accordance with the requirements of IAS 39, some of these instruments may no be eligible for hedge accounting.

Any gains or losses arising from changes in the fair value on derivatives that do not quality for hedge accounting are taken directly to net profit or loss for the year.

The fair value for forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles and to the credit risk spread associated with the counterparty entity. The fair value of interest rate swap contracts is determined by valuation methods such as discounted cash flow using market interest rates adjusted, where applicable, to the credit risk spread associated with the counterparty entity.

A financial derivative is considered a hedge when it:

a) Covers one of the following three types of risk:

1) Changes in the value of assets and liabilities due to fluctuations in the price, interest rate and/or exchange rate applicable to the position or balance to be hedged ("fair value hedge").

2) Variability in estimated cash flows on financial assets and liabilities, commitments and highly probable forecast transactions ("cash flow hedge").

3) Net investment in foreign operations ("hedge of net investment in foreign operations").

b) Eliminate efficiently any risk inherent to the hedged item or position throughout the duration of the hedge, which implies that at the inception of the contract, the hedging item is highly effective ("prospective effectiveness") and there is sufficient evidence that the hedge will be effective throughout the life of the hedged item or position ("retrospective effectiveness").

c) Is possible to obtain adequate documentation that the financial derivative contract was entered into specifically for hedging purposes, including how the Group planned to obtain and measure an effective hedge in accordance with its risk management policy.

The effectiveness of hedging derivatives is duly documented by the effectiveness testing the Group carries out to verify that the differences arising between the hedged item and the corresponding hedging item as a result of changes in the market prices are considered to be reasonable with respect to the parameters throughout the life of the hedge, and comply with forecasts established at related contract dates.

The Group considers a hedge to be highly effective when at the inception date and throughout the life of the hedge, the changes in cash flows or fair value of the hedged items are fully offset by the changes in cash flows and fair value of the hedging instrument. A hedging relationship is considered highly effective when the actual results of the hedge are within the range of 80% to 125%.
If at any time financial derivatives do not meet the conditions to be considered hedges, they are to be reclassified as trading derivatives.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability;

- cash flow hedges when hedging exposure to variability in cash flows that is neither attributable to a particular risk associated with a recognized asset or liability or a forecast transaction;

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The gain or loss from remeasuring hedging instruments at fair value, as well as the gain or loss on the hedged item attributable to the hedged risk, is recognized immediately in profit or loss even when the hedged item is measured at amortized cost or is an available-for-sale financial asset.

When the hedged item is valued at amortized cost, the carrying amount is adjusted to reflect the gain or loss arising as a result of the hedge, the amount of which is recognized in profit or loss.

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to profit or loss.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortized to profit and loss.

Amortization may begin as soon as an adjustment exists and must begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the income statement. The changes in the fair value of the hedging instrument are also recognized in the consolidated income statement.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting, or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest rate method is used is amortized to profit or loss. Amortization may begin as soon as an adjustment exists and must begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Cash flow hedges

Cash flow hedges are a hedge of the exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could effect the consolidated income statement. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity (other reserves), while the ineffective portion is recognized in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedge transaction affects profit or loss, such as when hedged financial income or expense is recognized or when a forecast sale or purchase occurs.

Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, the amounts previously recognized in equity are transferred to the consolidated income statement. If a hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to consolidated income statement.

When a hedge is discontinued, the cumulative gain or loss on the hedging instrument that remains recognized under "Equity – Other variations" from the period when the hedge was effective shall remain recognized in this heading until the hedged transaction takes place, at which time the criteria set forth in the paragraph above shall be applied unless the transaction is no longer probable, in which case the related amount is recognized directly in the income statement.

d.22) Recognition of revenues and expenses

Revenues and expenses are recognized at the moment the goods or services represented by them take place, regardless of when actual payment or collection occurs.

Revenue is recognized to the extent that it is probable that the economic benefits related to the transaction will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Interest income

Revenue is recognized as interest accrues.

Dividends

Revenue is recognized when the shareholder's right to receive the payment is established.

d.23) Assets classified as held for sale and discontinued operations

d.23.1 Assets classified as held for sale

Assets or disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction, rather than through continuing use. This condition is considered to be met when the sale is highly probable, the asset is available for immediate sale in its current state and the transaction is expected to take place within 12 months of its classification as held for sale.

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Immediately prior to the initial classification of assets or disposal groups as held for sale, their carrying amount will be measured according to the applicable accounting policies described in these notes.

Once assets are classified as held for sale, they are no longer depreciated.

d.23.2 Discontinued operations

Discontinued operations are those have been disposed of, are available for sale or are classified as held for sale, and represent a separate major line of business or geographical area of operations or are part of a single coordinated disposal plan.

Profit or loss on discontinued operations is presented as a single amount after tax on the face of the income statement.

d.24) Related parties

The Group regards as related parties its direct and indirect shareholders and associates, as well as its board members and key managers.

d.25) Environmental issues

Expenses relating to decontamination and restoration work in contaminated areas, as well as the elimination of waste and other expenses incurred to comply with environmental protection legislation are expensed in the year to which they relate, unless they correspond to purchases of assets incorporated in equity to be used over an extended period, in which case they are recorded in the corresponding heading under "Property, plant and equipment" and are depreciated using the same criteria described in paragraph *d.5)* above.

e) Changes in consolidation scope

The following changes were made in the consolidation scope in 2008 and 2007:

- On January 24, 2007, the parent company acquired 10% of the shares of Campofrío Montagne Noire, S.A., raising its stake to 100%. On the same date, the parent company signed an agreement with a French company outside the Group regarding the sale of 100% of Campofrío Montagne Noire, S.A. The sale was carried out on April 18, 2007, which is considered the date that Campofrío Montante Noire, S.A. and subsidiaries were removed from the consolidation scope.

- Through a takeover merger on December 30, 2008, the parent company acquired control of the Spanish entity Groupe Smithfield Holdings, S.L., which transferred all of its assets and liabilities to the Company (Note 7).

- In June 2008, the Company commenced negotiations with a third party to sell its 100% ownership interest in its Russian subsidiary OOO Campomos and its subsidiaries. In 2008, the parent company, pursuant to the terms agreed with the buyer, transferred control of and the power to determine the financial and operating policies governing OOO Campomos and its subsidiaries to the buyer (Note 15).

3. SEGMENT INFORMATION

The Group is managed according to the following breakdown into operating segments:

- Southern Europe: Includes operating activities managed in Spain and Portugal.

- Northern Europe: Includes operating activities managed primarily in France, Belgium, Holland and Germany.

The Group made this classification based on the following factors:

- Similar economic features of the businesses
- To enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.
- The information on operating segments included in this note should be considered in the context of the business combination described in Note 7, which was recognized provisionally at December 31, 2008.

The Group classified the products producing ordinary income within its operating segments in the following categories:

- short cycle products: Includes processed meat products such as sausage, cooked ham, bacon and other innovative products, all based on the Group's guiding principle of *"Health, Flavor and Convenience".* These products combine a global vision with adaptation to local specificities and customs in the countries where the Group operates. These types of products are included in all of the Group's operating segments.
- Long cycle products: This category includes mainly cured ham, adapted to various local characteristics in Spain, with varieties ranging from white bodega-style cured ham to the excellence of acorn-cured ham including the highly selective Lampriño brand cured hams, as well the excellence of French cured hams.

Group management monitors operating results from operating segments separately for the purpose of making decisions related to resource distribution and the evaluation of profits and performance. The evaluation of operating segments is based on operating profits.

The following tables present consolidated income statement and consolidated balance sheet information regarding the Group's operating segments for the years ended December 31, 2008 and 2007 (in thousands of euros):

	Continuing operations					Discontinued operations	Total
Year ended December 31, 2008	Southern Europe	Northern Europe	Other regions	Adjustments	Total	Russia (2)	operations
Revenue							
Sales to external customers	891,212	-	30,617	-	921,829	33,661	955,490
Inter-segment sales (1)	2,925	-	-	(2,925)	-	-	-
	894,137	-	30,617	(2,925)	921,829	33,661	955,490
Profit (Loss)							
Financial loss	(17,473)	-	(1,250)	-	(18,723)	(3,029)	(21,751)
Depreciation and amortization expense	(26,271)	-	(1,580)	-	(27,851)	-	(27,851)
Impairment loss	(3,000)	-	-	-	(3,000)	-	(3,000)
Share of profit/(loss) of investments accounted for using the equity method	(202)	-	-	-	(202)	-	(202)
Income tax	(12,454)	-	(394)	-	(12,848)	-	(12,848)
Segment profit/(loss)	13,766	-	(357)	-	13,409	(18,589)	5,180
Assets	903,849	1,199,578	27,783	(169,869)	1,961,341	-	1,961,341

	Continuing operations					Discontinued operations	Total
Year ended December 31, 2007	Southern Europe	Northern Europe	Other regions	Adjustments	Total	Russia and France (2)	operations
Revenue							
Sales to external customers	859,111	-	34,046	-	893,157	95,028	988,185
Inter-segment sales (1)	3,318	-	-	(3,318)	-	-	-
	862,429	-	34,046	(3,318)	893,157	95,028	988,155
Profit (Loss)							
Financial loss	(11,638)	-	(967)	(2,850)	(15,455)	(3,829)	(19,284)
Depreciation and amortization expense	(26,214)	-	(1,681)	-	(27,895)	(4,648)	(32,543)
Gain (loss) on disposal of non-current assets	10,575	-	(481)	-	10,094	(5)	10,089
Share of profit/(loss) of investments accounted for using the equity method	(475)	-	-	-	(475)	-	(475)
Income tax	(14,735)	-	(700)	-	(15,435)	148	(15,287)
Segment profit	46,658	-	2,015	(2,850)	45,823	(13,020)	32,803
Assets	913,726	-	33,060	-	946,786	100,227	1,047,013

(1) Inter-segment revenues are eliminated on consolidation.
(2) The consolidated income statement shows only profit (loss) for the period in "Net loss for the period from discontinued operations."

There were no external customers in 2007 and 2008 with which the Group conducted transactions that represented 10% or more of its ordinary income.

4. EARNINGS PER SHARE

Earnings per share amounts are calculated by dividing net profit for the year from continuing operations attributable to ordinary equity holders of the parent by the number of ordinary shares outstanding.

Diluted earnings per share amounts are calculated by dividing the net profit from continuing operations attributable to ordinary equity holders of the parent by the average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The Group did not carry out any transaction to lead to a difference between basic and diluted earnings per share.

Earnings per share from continuing operations	Euros	
	2008	2007
- basic, for profit for the year attributable to ordinary equity holders of the parent	0.246	0.866
- diluted, for profit for the year attributable to ordinary equity holders of the parent	0.246	0.866

The following reflects the profit and share data used in the basic and diluted earnings per share computations:

	Thousands of euros	
	2008	2007
Net profit attributable to ordinary equity holders of the parent from continuing operations	12,740	45,173
Profit (loss) attributable to ordinary equity holders of the parent from discontinued operations	(18,589)	(13,020)
Net profit (loss) attributable to ordinary equity holders of the parent	(5,849)	32,153

	Thousands of shares	
	2008	2007
Weighted average number of ordinary shares for basic earnings per share	51,833	52,160
Effect of dilution:		
Share options	-	-
Redeemable preference shares	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	51,833	52,160

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements which have not been taken into account in the calculation of earnings per share in 2008.

5. DIVIDENDS PAID AND PROPOSED

The parent company's Board of Directors will propose the following appropriation of results for the year ended December 31, 2008:

	Thousands of euros
Proposed appropriation	
Loss for the year	(8,318)
Share premium (Note 3.2)	4,752
Appropriation to:	
Prior year losses	(8,318)
Goodwill reserve	4,752

The distribution of parent company profit for the year ended December 31, 2007 and paid in 2008 was the following:

	Thousands of euros
To voluntary reserves:	
Profit for the year	16,615

In their ordinary general meeting held on June 17, 2008, the shareholders of the parent agreed, inter alia, to pay a net cash dividend of 0.19395383 euros per share which was made effective on July 8, 2008. In addition, the shareholders approved an in-kind dividend in the form of delivery of a total of 1,698,185 own shares, in the proportion of 1 treasury share for every 30 shares owned. This in-kind dividend was charged to the share premium arising from the 13,160,931 euro capital increase and share premium of 86,730,535 euros under the terms of the proposal approved by the parent company's Board of Directors on May 7, 2008. This dividend was distributed in kind to shareholders at July 7, 2008 and was made effective on July 16, 2008.

In their extraordinary general meeting held on October 24, 2008, the shareholders agreed, inter alia, to distribute an extraordinary dividend amounting to 47,150,000 euros. This dividend was charged to the share premium arising from the capital increase approved by the shareholders in their general meeting of March 2, 2002, and was applied only to issued outstanding capital at the time of the merger (Note 7). This dividend was pending payment at December 31, 2008 (Note 23). At the same meeting, the shareholders delegated the power to determine the date on which this dividend will be paid (no later than June 30, 2009) to the Board of Directors.

Limitations on the distribution of dividends

The parent company is obliged to transfer 10% of profit for the year to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. Unless the balance of the reserve exceeds this amount, it cannot be distributed to shareholders (Note 16).

Once the legal and company bylaw requirements have been met, dividends may only be distributed against profit for the year or, freely distributable reserves, if the value of equity is not lower than share capital or, would not become lower than share capital as a result of distributing dividends. Accordingly, profit recognized directly in equity cannot be directly or indirectly distributed. Where losses exist from previous years that reduce the parent company's equity to below the amount of share capital, profit must be allocated to offset these losses.

In the same way, profit may not be distributed unless the amount of available reserves is at least equal to the amount of development expenses shown on the assets side of the parent company's balance sheet.

In any case, companies are required to set aside a non-distributable reserve equal to the amount of goodwill shown on the assets side of the parent company's balance sheet. The amount of profit designated for this purpose must represent at least 5% of goodwill. If no profits are available or profits should prove to be insufficient, freely distributable reserves must be used for this purpose.

6. PROPERTY, PLANT AND EQUIPMENT

The breakdown of the movement in this heading in 2008 and 2007 is provided in Appendix II, which forms an integral part of this note.

The net value of property, plant and equipment at December 31, 2008 and 2007 corresponding to the fully consolidated companies located outside of Spain is as follows:

	Thousands of euros	
	2008	2007
Cost	371,440	128,838
Accumulated depreciation	(35,836)	(65,510)
Impairment	(3,100)	-
	332,504	63,328

The net carrying value of plant and equipment held under finance leases included in assets in the accompanying consolidated balance sheet is the following.

	Thousands of euros	
	2008	2007
Buildings	7,122	1,694
Plant and other PP&E items	738	345
	7,860	2,039

Finance lease payments made prior to 2007 amounted to 2,439 thousand in 2007 818 thousand euros, leaving an outstanding balance at December 31, 2007 of 2,030 thousand euros. Purchase options amounted to 36 thousand euros.

Pending payments by year of maturity in 2007 are as follows:

	Thousands of euros
2008 (Note 24)	536
2009	246
2010	242
2011	242
Subsequent years	728
Total (Note 19)	1,458

Payments of finance lease liabilities made prior to 2008 amounted to 3,257 thousand euros and in 2008 to 536 thousand euros, leaving pending payments at December 31, 2008 in subsequent years of 2,410 thousand euros. Purchase options amount to 36 thousand euros.

Pending payments by year of maturity in 2008 are as follows:

	Thousands of euros
2009 (Note 24)	1,236
2010	242
2011	242
2012	242
2013	242
2014	242
Total (Note 19)	1,210

7. GOODWILL AND BUSINESS COMBINATIONS

The breakdown of movements in goodwill for the cash-generating units or groups of cash-generating units to which it is allocated in 2007 and 2008 is the following:

	Thousands of euros							
	12.31.06	Translation differences	12.31.07	Additions	Translation differences	Business Combinations	Discontinued operations (Note 15)	12.31.08
Campofrío Portugal, S.A.	5,168	-	5,168	-	-	-	-	5,168
Total Meat Marketing, S.R.L.	1,708	-	1,708	-	-	-	-	1,708
Group Navidul y Omsa Alimentación, S.A.	127,257	-	127,257	1,216	-	-	-	128,473
Group Campomos	1,344	(48)	1,296	-	(33)	-	(1,263)	-
Campofrío Food Group Holding, S.L. and subsidiaries				-	-	256,340	-	256,340
	135,477	(48)	135,429	1,216	(33)	256,340	(1,263)	391,689

In June 2008, parent company management entered into negotiations with a non-group third party to sell its 100% share in its Russian subsidiary Campomos and its subsidiaries. Consequently, the goodwill from this cash-generating unit was recognized at June 30, 2008 in "Assets classified as held for sale and from discontinued operations" (Note 15).

On December 12, 2008, the parent company acquired an additional 30% of the capital of Navidul Extremadura, S.A. Therefore, it holds 77.48% of the company's capital and voting rights. As a result of the transaction, 1,216 thousand euros in goodwill have been recognized.

Parent company management has begun assessing on an annual basis goodwill for any excess of cost over recoverable amount. This assessment is carried out for each of the cash-generating units to which the goodwill is allocated. The recoverable amount is the price at which the cash-generating units could be sold to independent parties less any related transaction costs provided fair value can be estimated reliably. When fair value cannot be estimated reliably or there is indication of an impairment loss, the carrying amount of the investee is compared to the value in use obtained from discounted cash flow analysis.

For all the cash-generating units these calculations are made using cash flow projections for the cash-generating units based on current operating results and business plans covering a five-year period. The pre-tax discount rates applied to cash flow projections in 2008 ranged from 7.50% to 7.10% (11.2% in 2007). The Group has estimated a constant growth in 2009 not greater than 1% (not greater than 2% in 2008) to extrapolate cash flows beyond the five-year period.

According to the judgments and estimates made by the parent company management, the expected future cash flows attributable to the cash-generating units or groups of cash-generating units to which goodwill is allocated indicate that the carrying amount of each goodwill allocated at December 31, 2007 and 2008 may be recovered.

Sensitivity analysis of changes in key assumptions

The directors of the parent company performed a sensitivity analysis for this goodwill, especially related to the discount and terminal growth rates used, to ensure that any changes in these estimates do not affect the recoverability of the aforementioned values.

- A 1% increase of the discount rate used would lead to a decline in the value in use. However, in no case would that mean the value in use was less than its carrying amount.

- If the growth rate were 0%, it would lead to a decline in the value in use as of the first period. However, in no case would that mean the value in use was less than its carrying amount.

Based on the outcome of these analyses, parent company management considered that in no case was the carrying amount of the goodwill and the remaining assets of each cash-generating unit identified higher than the amount of the valuation made.

Business combinations

No business combinations occurred in 2007.

b) Carried out in 2008

Through a takeover merger on December 30, 2008, the parent company acquired control of the Spanish entity Groupe Smithfield Holdings, S.L., which transferred all of its assets and liabilities to the parent company. As a result of this merger, the parent company acquired all 100% of the shares of the Spanish company, Campofrío Food Group Holding, S.L. (formerly Groupe Smithfield, S.L.).

Groupe Smithfield Holdings, S.L. is a Spanish holding company and the parent entity of an international food group, engaged in the production and sale of meat products mainly in the United Kingdom, Belgium, France, Germany, Italy, Portugal and the Netherlands, where it also has industrial facilities. This merger was in response to and based on strategic business criteria, and allowed the parent company, as the absorbing company, to establish itself as the parent of a pan-European group and a leading manufacturer of processed meats, with a strong presence in Spain, Belgium, France, Portugal, Holland and Romania.

In conformity with article 96 of Legislative Royal Decree 4/2004, of March 5, which approves the revised text of the Corporation Tax Law, the companies participating in the merger expressly availed themselves of the special tax regime for mergers, spin-offs, contributions of assets and securities swaps established by Chapter VIII, Title VII of said law.

Pursuant to the terms set out in the takeover merger, approved by the shareholders of both companies in general meeting on October 24, 2008, the date on which the parent company gained control of the absorbed company was December 30, 2008. As of that date, the parent company held the power to determine the financial and operating policies governing the business acquired to obtain economic benefits from its activities.

As a result of the merger, the parent company absorbed Groupe Smithfield Holdings, S.L., which was dissolved without liquidation and all its assets and liabilities transferred to the parent company. For these purposes, the balance sheet date of the absorbed company was considered to be December 31, 2008, given the negligible difference between that date and the date the business was acquired.

The 392,171 thousand euro provisional cost of the business combination includes the fair value on the acquisition date of the business of the 49,577,099 new shares issued by the parent company and the costs directly attributed to the combination, as per the following breakdown:

	Thousands of euros
Fair value of issued shares (Note 13.1)	370,837
Costs related to the acquisition	21,334
Total	392,171

To this end, on December 30, 2008, the parent company carried out a capital increase of 49,577,099 euros by issuing 49,577,099 new shares with a nominal value of one euro each, comprising 48.5% of its share capital at December 31, 2008. These new shares were attributed to the shareholders of Groupe Smithfield Holdings, S.L. proportionally to their respective equity interest in the company.

The exchange ratio was reviewed by an independent expert appointed by the Mercantile Registry. The fair value of the new shares issued by the parent company was determined according to their quoted price at the issue date.

The preliminary recognition of this business combination at December 31, 2008 is provisional in nature, given that the acquisition date of the business combination was December 30, 2008 as shown below:

Assets	Notes	Thousands of euros Carrying amount
Property, plant and equipment	Appendix II	307,496
Goodwill	(1)	149,591
Other intangible assets	Appendix III	172,866
Deferred tax assets		41,260
Non-current financial assets	Appendix IV	1,879
Non-current assets		673,092
Inventory		127,066
Trade and other receivables		222,489
Other current assets		2,230
Cash and cash equivalents		8,066
Current assets		359,851
Total assets		1,032,943
Liabilities		
Bank borrowings		148,449
Provisions	Appendix VIII	23,071
Other financial liabilities		3,152
Other non-current liabilities		4,414
Deferred tax liabilities		114,653
Non-current liabilities		293,739
Bank borrowings		70,737
Provisions	Appendix VIII	23,783
Payable to associated companies		3,116
Trade and other payables		308,528
Other current liabilities		47,618
Current liabilities		453,782
Total liabilities		747,521
Carrying amount of the net assets		285,422
Goodwill arising from the merger	(1)	106,749
Cost and other expenses related to the acquisition		392,171

(1) Goodwill arising from the business combination: 256,340 thousand euros.

Provisional fair values estimated until the date of preparation of these consolidated financial statements do not differ significantly from the net carrying values in the financial statements of the business acquired.

The Group has begun assessing other intangible assets with an indefinite useful life (Note 8) for any decrease in the carrying amount with respect to the recoverable amount. The recoverable amount of brands with indefinite useful lives is initially calculated based on fair value, considered to be the price at which they could be sold to independent parties, less any related transaction costs, provided that fair value can be estimated reliably. The Group's assessment is based on various commonly accepted valuation techniques and did not reveal significant differences between the carrying values at December 31, 2008 and the provisional market values. In addition, Group management considers that any reasonable change in the various assumptions used to apply the valuation techniques would not have a significant effect on the estimated provisional market values for these assets at December 31, 2008.

Net cash used in the transaction was as follows:

	Thousands of euros
Cash and cash equivalents acquired	8,066
Cash paid in the business combination	(11,350)
Net cash used	(3,284)

Given that the business was acquired on December 30, 2008, it contributed nothing to 2008 consolidated revenues or profit. Had the acquisition taken place on January 1, 2008, the revenues and profit for the year would have amounted to 1,123,915 thousand euros, and the net profit/(loss) contributed would have amounted to (16,421) thousand euros.

8. OTHER INTANGIBLE ASSETS

The breakdown of the movement in intangible assets at December 31, 2008 and 2007 is shown in Appendix III, which forms an integral part of this note.

Patents and Licenses

In 2000, Omsa Alimentación, S.A., a subsidiary taken over in the year 2003, entered into a brand license with Oscar Mayer Foods, the terms of which, in compliance with certain conditions, extends to the year 2020 and cover the possibility of carrying out activities throughout Europe. As a result of that agreement, Omsa Alimentación, S,A, paid a total of 3,618 thousand euros to be booked as an expense over a twenty-year period, the length of the contract.

In addition, as of December 31, 2008, the Group acquired several brand names for 171,054 thousand euros as a result of the business combination (Note 7). These brand names stem from the business combination of Sara Lee Foods Europe and Jean Caby in 2006, from which Campofrío Food Group Holdings, S.L. (formerly Groupe Smithfield, S.L.) arose. The subsidiary acquired Sara Lee's European meat products business, which included assuming certain pension fund obligations (Note 21) up to a maximum of 31,000 thousand euros. This transaction also gave rise to the obligations described in Note 31.

The parent has begun assessing the aforementioned brand names on an annual basis for any excess of cost over recoverable amount. At December 31, 2008, the Group carried out impairment testing on these intangible assets with an indefinite useful life (Note 7).

9. NON-CURRENT FINANCIAL ASSETS

The breakdown of the movement in non-current financial assets in 2008 and 2007 is shown in Appendix IV, which forms an integral part of this note.

a) Other loans

The breakdown of this heading is shown below and the movement at December 31, 2008 and 2007 in Appendix IV:

	Thousands of euros	
	2008	2007
Loans granted	-	122
Non-current loans on disposal of assets	10,290	10,865
Other loans	1,516	27
	11,806	11,014

"Loans granted" corresponds to loans granted by the Group to personnel and to certain members of the parent company's Board of Directors. Loans to Board members were granted in 1991 and bear interest below market rates, payable annually. In 2007, the loans the granted to the members of the Board of Directors of the parent company were paid in full. At December 31, 2007, the balance reflects 122 thousand euros which correspond exclusively to loans granted to Group employees. These loans were canceled in 2008.

"Non-current loans on disposal of assets" corresponds to the pending receivable balances related to sales of property, plant and equipment made in prior years and bear market interest rates. The most important balance correspond to the non-current receivable from Proinserga de Inversiones, S.A. for the sale made in 2004 of the company Primayor Foods, S.L. The breakdown at December 31, 2008 and 2007 by maturity was the following:

Year	Thousands of euros
Year 2008	1,415
Year 2009	1,886
Year 2010	2,358
Year 2011	2,358
Total	8,017

In 2007, Proinserga de Inversiones, S.A. filed a payments moratorium. No legal ruling had been issued as at the date of preparation of these consolidated financial statements. In 2007, Proinserga de Inversiones, S.A. filed a payments moratorium. No legal ruling had been issued as at the date of preparation of these consolidated financial statements. Based on the estimates of the Group management, this amount is considered fully uncollectible. Accordingly, at December 31, 2007, the Group recognized an impairment loss of 8,017 thousand euros which is classified under non-current assets on the consolidated balance sheet. At December 31, 2008, based on agreements reached by the Group (Note 32.c), 75% of these assets were ceded to third parties.

"Other loans" relates primarily to 1,485 thousand euros in official non-current loans granted to the French Government Real Estate Fund The annual interest rate earned on these loans is 0% they mature on different dates and are all non-current.

10. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

The breakdown of the movement in investments accounted for under the equity method at December 31, 2008 and 2007 are shown in Appendix V, which forms an integral part of this note.

The following table provides a summary of the financial information of these investments at December 31, 2008 and 2007:

	December 31, 2008 Thousands of euros						
	Non-current assets	Current assets	Equity	Profit (loss) for the year	Non-current liabilities	Current liabilities	Ordinary revenues
Navidul Cogeneración, S.A.	47	2,598	344	(143)	-	2,444	1,135
Cogeneradora Burgalesa, S.L.	335	1,130	(136)	304	-	1,297	12,211

	December 31, 2007 Thousands of euros						
	Non-current assets	Current assets	Equity	Profit (loss) for the year	Non-current liabilities	Current liabilities	Ordinary revenues
Navidul Cogeneración, S.A.	655	2,665	1,418	(1,075)	2,419	558	3,042
Cogeneradora Burgalesa, S.L.	337	2,070	(33)	(196)	27	2,609	7,334

11. INVENTORIES

The breakdown of "Inventories" at December 31 is as follows:

	Thousands of euros	
	2008	2007
Goods for resale	647	1,648
Raw materials and other consumables	61,835	45,146
Work in progress	183,986	120,038
Finished goods	72,614	42,202
Byproducts	-	41
Prepayments	49	345
Provisions	(433)	(56)
	318,698	209,364

12. TRADE AND OTHER RECEIVABLES

The breakdown of this heading at December 31 is the following:

	Thousands of euros	
	2008	2007
Trade receivables	214,794	96,633
Associates (Note 31)	1,859	2,667
Other accounts receivable	23,382	19,319
Employees	-	450
Tax receivables (Note 27)	53,819	13,914
	293,854	132,983
Provisions	(27,647)	(27,235)
	266,207	105,748

a) Trade receivables

At December 31, 2008 "Trade receives" includes 2,804 thousand euros in bills discounted at banks pending maturity (1,770 thousand euros in 2007).

At December 31, 2008, the amount of the collection rights waived by the parent Company pursuant to the contract signed December 30, 2004 between the parent company and BBVA Factoring E.F.C., S.A., as the agent, and other financial institutions was 126,613 thousand euros (112,753 thousand euros in 2007).

b) Other accounts receivable

This caption at December 31, 2007 and 2008 includes a receivable from insurance companies of 6,693 thousand euros. This debt arose out of a claim for damages resulting from an accident that occurred in 2001 in the production center that the Group owned at Rivas (Madrid).

Due to the lack of agreement with the insurance companies that should pay the indemnity for the damage, on June 17, 2002 the Group filed a lawsuit in the Court of First Instance number 4 in Alcobendas (Madrid) to recover the amount owed plus late payment interest. At the time of drawing up these consolidated annual accounts the Group signed, together with its insurance companies, an out-of-court settlement in an effort to unblock the situation brought on by the course of legal proceedings given the alleged first-ruling procedure which had frozen the procedural course of lawsuits filed by the parent. As a result of the aforementioned settlement, in 2007 an agreement was signed with the three insurance companies for material damages under the policies in force at the date of the claim. Subsequently, the insurance companies paid 1,050 thousand euros in addition to the initial claim referred to above. It was likewise agreed that joint action would be filed against the entities deemed liable for causing the accident in order to obtain full reimbursement for damages. An essential point of this agreement was that the Group would have priority with regard to the amounts to be received from the liable entities up to the amount necessary to ensure full recovery of the damages pending payment. At the date of these consolidated annual accounts, the related suits have already been filed with Madrid Court of First Instance No. 47 and are pending resolution.

The parent company's directors, in agreement with the conclusions reached by their legal advisors, consider that there is no risk of non-payment of the aforementioned indemnities.

c) Provisions

The movement in provisions for bad or doubtful debts in 2008 and 2007 was the following:

	Thousands of euros	
	2008	2007
Balances at January 1	27,235	21,745
Allocations made in the year	879	4,925
Transfers	(2,096)	1,573
Recovery of balances previously provisioned	(43)	(221)
Provisions applied	(159)	(787)
Business combination	1,831	-
Balances at December 31	27,647	27,235

13. OTHER CURRENT FINANCIAL ASSETS

The breakdown of "Other current financial assets" at December 31 is the following:

	Thousands of euros	
	2008	2007
Loans to associates (Note 31)	1,157	1,108
	1,157	1,108

14. CASH AND CASH EQUIVALENTS

The breakdown of this heading at December 31 is the following:

	Thousands of euros	
	2008	2007
Assets acquired under repurchase agreements	21,970	120,710
Bank deposits	62,992	30,004
Cash at banks and in hand	34,839	72,645
	119,801	223,359

At December 31, 2008 and 2007, the balance of "Assets acquired under resale agreements" related to investments made during the year with maturities of less than three months from the contract date and which mature in the following year. The annual interest rate fluctuates between 2.13% and 2.25% (2007: 4.39%).

"Bank deposits" includes primarily financial deposits maturing in 2009 in less than three months from the acquisition date. The average annual interest rate in 2008 was 4.90% (2007: 3.89%).

15. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The breakdown of assets classified as held for sale and discontinued operations at December 31 was the following:

	Thousands of euros							
	12/31/06	Additions	Disposals	12/31/07	Transferred to discontinued operations	Additions	Disposals	12/31/08
Property, plant and equipment								
Cost:								
Land and buildings	-	4,196	-	4,196	(4,196)	-	-	-
	-	4,196	-	4,196	(4,196)	-	-	-
Accumulated depreciation								
Buildings	-	(2,287)	-	(2,287)	2,287	-	-	-
	-	(2,287)	-	(2,287)	2,287	-	-	-
Available-for-sale financial assets		1,909		1,909	(1,909)	-	-	-
Assets from discontinued operations	58,507	-	(58,507)	-	1,909	91,030	(92,939)	-
	58,507	1,909	(58,507)	1,909	-	91,030	(92,939)	-

In 2006, the parent company's management entered into negotiations to sell the ownership interest in Montagne Noire, S.A. and subsidiaries. On January 24, 2007, the parent company signed an agreement with a French company outside the Group regarding the sale of 100% of Campofrío Montagne Noire, S.A. The sale was carried out on April 18, 2007.

The income statement for Campofrío Montagne Noire, S.A. and subsidiaries for the period from January 1 to April 18, 2007 (only the amount of profit (loss) for said period was included in the 2007 income statement), is as follows:

	Thousands of euros
Operating revenues	
Net sales and services	19,730
Other operating revenues	111
	19,841
Operating expenses	
Consumption of goods and other external charges	10,831
Employee benefits expense	2,805
Depreciation and amortization	601
Other operating expenses	5,831
	20,068
OPERATING LOSSES	(227)
Finance costs	
Other finance costs	310
	310
NET FINANCE COST	(310)
Gain (loss) on disposal of non-current assets	4
PROFIT BEFORE TAX	(533)
Income taxes	181
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	(352)
Attributable to:	
Equity holders of the parent	(352)

The main assets and liabilities of Campofrío Montagne Noire, S.A. and subsidiaries at December 31,2006 were:

Assets	Thousands of euros 12.31.06
Property, plant and equipment	21,805
Goodwill	1,887
Deferred tax assets	1,781
Other intangible assets	301
Non-current financial assets	77
Non-current assets	25,851
Inventories	19,545
Trade and other receivables	11,629
Other current assets	261
Cash and cash equivalents	1,221
Current assets	32,656
ASSETS FROM DISCONTINUED OPERATIONS	58,507

Equity and Liabilities	Thousands of euros 12.31.06
Interest-bearing loans and borrowings	707
Other financial liabilities	3,752
Other non-current liabilities	1,794
Provisions	257
Non-current liabilities	6,510
Interest-bearing loans and borrowings	7,490
Trade and other payables	11,619
Other financial liabilities	719
Other current liabilities	1,647
Current liabilities	21,475
LIABILITIES FROM DISCONTINUED OPERATIONS	27,985

Basic and diluted earnings per share from the period from January 1, 2007 to April 18, 2007, calculated as indicated in Note 4, were the following:

Earnings per share from discontinued operations	Euros 2007
- basic, for profit for the year attributable to equity holders of the parent	(0.007)
- diluted, for profit for the year attributable to equity holders of the parent	(0.007)

In 2007, Group management entered into negotiations to sell a building belonging to a subsidiary of OOO Campomos. In June 2008, parent company management entered into negotiations with a non-group third party to sell its 100% ownership interest in its Russian subsidiary Campomos and its subsidiaries. Accordingly, the corresponding assets and liabilities were classified in "Assets and liabilities classified as held for sale and from discontinued operations."

In 2008, the parent company transferred control and the power to determine the financial and operating policies of OOO Campomos to the buyer, in compliance with the related sale agreements. Accordingly, the parent company derecognized the aforementioned assets and liabilities at the agreed sale price, which amounted to 6,100 euros. The parent company had collected the sale price in full at December 31, 2008,

On January 23, 2009, the parent company and the buyer reached a final agreement with respect to the abovementioned sale price. Under the terms of this agreement, at December 31, 2008, the loss obtained by the Group from the sale of OOO Campomos and subsidiaries amounted to 18,589 thousand euros, and the amount to be returned to the buyer totaled 3,000 thousand euros (Note 24).

The income statements of Campomos and subsidiaries for the six-month period ended June 30, 2008 (date on which the Group relinquished control of the subsidiary) and for 2007 (only the profit (loss) for the period is included in the consolidated income statement at December 31, 2008 and 2007) are:

	Thousands of euros	
	06/30/08	12/31/07
Finance revenues		
Revenue	33,661	75,298
Increase in inventories of finished goods and work in progress	565	361
Other operating revenues	234	-
	34,460	75,659
Continuing operations		
Consumption of goods and other external charges	23,344	45,969
Employee benefits expenses	6,570	12,923
Depreciation and amortization	2,256	4,047
Changes in trade provisions	494	1,034
Other operating expense	11,490	20,793
	44,154	84,766
OPERATING LOSS	(9,694)	(9,107)
Finance revenue		
Other interest and similar revenue	26	64
Exchange rate gains	550	-
	576	64
Finance cost		
Other finance costs	1,422	1,842
Exchange losses	2,183	1,741
	3,605	3,583
NET FINANCE COSTS	(3,029)	(3,519)
Gain (loss) on disposal of non-current assets	(1)	(9)
PROFIT BEFORE TAX	(12,724)	(12,635)
Income tax	-	(33)
LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS	(12,724)	(12,668)
Profit (loss) on discontinued operations	(5,865)	-
NET LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS	(18,589)	(12,668)

The main assets and liabilities of Campomos and subsidiaries at June 30, 2008 (date on which the Group relinquished control of this subsidiary) are:

Assets	Notes	Thousands of euros 06/03/08
Property, plant and equipment	Appendix II and Note 15	45,082
Goodwill	7	1,263
Other intangible assets	Appendix III	2,911
Non-current financial assets		2
Biological assets		920
Deferred tax assets		4,777
Non-current financial assets		1,882
Non-current assets		56,837
Biological assets		745
Inventories		16,931
Trade and other receivables		28,964
Other current assets		112
Cash and cash equivalents		1,493
Current assets		48,245
ASSETS FROM DISCONTINUED OPERATIONS		105,082
Impairment loss		(12,143)
ASSETS FROM DISCONTINUED OPERATIONS		92,939

Liabilities	Notes	Thousands of euros 06/30/08
Interest-bearing loans and borrowings		7,168
Deferred tax liabilities		13,425
Non-current liabilities		20,593
Interest-bearing loans and borrowings		44,541
Trade and other payables		11,654
Other current liabilities		3,218
Current liabilities		59,413
LIABILITIES FROM DISCONTINUED OPERATIONS		80,006

The net cash flow statements of Campomos and subsidiaries for the six-month period ended June 30, 2008 (date on which the Group relinquished control of the subsidiary) and for 2007 are:

	Thousands of euros	
	06.30.08	12.31.07
Profit after tax	(18,589)	(12,668)
Depreciation/amortization and impairment of assets	2,256	4,047
Other adjustments to reconcile results from the period to operating profit	3,035	2,672
Operating profit (loss) before changes in working capital	(13,298)	(5,949)
Changes in working capital	2,669	(6,010)
Cash flows from operating activities	(10,629)	(11,959)
Income tax paid	(96)	(447)
Net proceeds from and payments on other financial assets/liabilities	(447)	-
Net interest received/(paid)	(1,664)	(1,778)
Net cash flows from operating activities	(12,836)	(14,184)
Purchase of fixed assets	(3,302)	(11,306)
Proceeds from sale of property, plant and equipment and available for sale assets	-	29
Net cash flows used in investing activities	(3,302)	(11,277)
Change in current financial liabilities	6,000	13,459
Capital increase	10,000	12,000
Net cash flows from financing activities	16,000	25,459
	(138)	(2)
Net change in cash and cash equivalents		
Cash and cash equivalents at January 1	1,631	1,633
Cash and cash equivalents at June 30	1,493	1,631
	(138)	(2)

The basic and diluted earnings/(loss) per share from discontinued activities, computed as indicated in Note 4, for the six-month period ended June 30, 2008 (date on which the Group relinquished control of the subsidiary) and for 2007 are:

Earnings/(loss) per share from discontinued operations	Euros	
	06/30/08	12/31/07
Basic, for profit (loss) for the year attributable to ordinary equity holders of the parent	(0.359)	(0.243)
Deluted, for profit (loss) for the year attributable to ordinary equity holders of the parent	(0.359)	(0.243)

16. EQUITY

The breakdown of the movement in capital and reserves is shown in the "Consolidated Statement of Changes in Equity" for the years ended December 31, 2008 and 2007.

a) Issued capital

At December 31, 2006 and 2008, share capital consists of 102,220,823 ordinary shares with a par value of one euro each (52,643,724 ordinary shares with a nominal value of one euro each at December 31, 2007). All shares are subscribed, fully paid and bear the same rights and obligations. All are represented by book entries and are listed on the Madrid and Barcelona stock exchanges.

Share capital increase

At their general meeting held on October 24, 2008, the shareholders approved several resolutions, including a capital increase by issuing 49,577,099 new shares with a nominal value of (1) euro each. The new shares were issued on December 28, 2008 with a share premium of 6.48 euros per share, and delivered to the former shareholders of Groupe Smithfield Holdings, S.L. as a result of the business combination (Note 7).

At their general meeting held on June 19, 2007, the shareholders resolved to delegate to the Company's Board of Directors, for a period of five years and under the terms of the Board report dated May 10, 2007, the power to increase capital, once or several times, up to a nominal maximum amount of 26,321,862 euros.

So authorized, the Board of Directors became empowered to increase the Company's share capital as and when deemed appropriate up to the aforementioned limit, without the need for additional shareholder approval and subject to the terms, limits and conditions provided for in article 153.1.b) of the Spanish Companies Act, and in particular the provisions set forth below:

(a) The capital increase could be approved by the Board of Directors in a lump sum or in smaller amounts by issuing ordinary shares with a par value of one (1) euro each, recorded via the book-entry system, and bearing the same rights as the remaining outstanding ordinary shares. The Board was empowered to determine the date as of which the new shares would be entitled to a portion of the Company's profits.

(b) The new shares should be paid in via monetary contributions to capital.

(c) For capital increases authorized via the exercise of these powers with pre-emptive subscription rights, the issue price shall be freely determined by the Board of Directors in reliance upon the power conferred on it to this end at the general meeting, with no limitations other than those set out in article 47.2 of the Spanish Corporation Law. In these instances, the Board may decide whether to allocate unsubscribed shares in application of pre-emptive subscription rights or declare incomplete subscription under the terms of article 161 of the Spanish Corporations Law.

(d) For capital increases authorized via the exercise of these powers suppressing pre-emptive subscription rights, the new share issue price shall be freely determined by the Board of Directors, subject to the limitations and formalities set out in article 159.2 of the Spanish Corporation Law. In these instances, the Board of Directors can declare incomplete subscription, as set out in article 161 of the Spanish Corporation Law.

Direct or indirect shareholdings equal to 10% or more in the share capital held by corporate investors at December 31 are as follows:

Company	Percentage shareholding
Carbal, S.A. (*)	12.836%
Smithfield Foods, Inc (**)	36.99%
OCM European Principal Opportunities Fund LP (***)	16.641%

(*) 5.704% of this shareholding is held by Carbal S.A. through Bitonce, S.L.

(**) 24.25% of this shareholding is held by SDFS Global Holdings BV, 11.371% through Cold Field Investments, LLC and 1.369% through Smithfield Insurance Co. Ltd.

(***) 16.641% is held by OCM European Principal Opportunities Fund LP through OCM Luxembourg Epof Metas Holdings Sarl.

b) Treasury shares

At the General Shareholders' Meeting of June 17, 2008, the shareholders approved several motions which included authorizing the Company or its subsidiaries to acquire, during an 18-month period, shares of Campofrío Food Group, S.A. for treasury shares representing up to 5% of the share capital at a price no greater than 5% of the share price.

At December 31, 2008, the Group had 829,236 of own equity instruments of the parent company, equivalent to 0.81% of share capital. At December 31, 2007, the Group held 1,147,721 treasury shares, equivalent to 2.18% of share capital.

In 2008, the Company bought and sold treasury shares amounting to 14,393 and 2,808 thousand euros, respectively. In 2007, the Company bought and sold treasury shares amounting to 16,575 and 9,455 thousand euros, respectively.

c) Legal reserve

"Other reserves" under equity attributable to equity holders of the parent company at December 31, 2007 and 2008 included a "Legal reserve" of 10,529 thousand euros.

Companies are obliged to transfer 10% of the profit for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital. This reserve is not distributable to shareholders and may only be used to offset a debit balance on the income statement provided no other reserves are available.

d) Share premium and voluntary reserves

At December 31, 2008, the share premium of the parent company, which from the individual annual accounts amounted to 429,719 thousand euros (173,012 thousand euros at December 31, 2007).

At December 31, 2008, the parent company's voluntary reserves according to the interim financial statements amounted to 40,962 thousand euros (December 31, 2007: 55,150 thousand euros).

At December 31, 2008, except for 223 thousand euros, the share premium and voluntary reserves can be distributed as dividends.

At December 31, 2007, the share premium and voluntary reserves could be distributed as share dividends, provided that any distribution of dividends did not reduce the total amount of the share premium and voluntary reserves to less than 95,412 thousand euros, the total amount pending amortization in respect of start-up expenses, research and development costs and goodwill as per the financial statements prepared by the parent company under Spanish GAAP applicable in at December 31, 2007.

e) Differences arising from converting capital to euros

In 2000 the Group denominated its share capital in euros, To assign the shares the exact par value mentioned previously, capital was reduced by 121 thousand euros, This amount was recorded in restricted reserves under the heading "Differences arising from converting capital to euros" under "Other reserves" in equity attributable to equity holders of the parent company.

f) Reserves in consolidated companies

The balance of this heading on the consolidated balance sheet comprises the adjusted results of subsidiaries, subsequent to the dates of their acquisition up to December 31, 2008 and 2007. The breakdown of "Reserves in consolidated companies" by subsidiary is shown in Appendix VI, which forms an integral part of this note.

g) Translation differences

The breakdown of this heading at December 31 is shown in Appendix VI, which forms an integral part of this note.

h) Minority interests

The breakdown of the movement in "Minority interests" at December 31, 2008 and 2007 is provided in Appendix VII, which forms an integral part of this note.

17. DEBENTURES

The breakdown of debentures issued at December 31 is the following:

	Thousands of euros	
	2008	2007
Non-current debentures	226,806	208,144
Current debentures	2,658	103
	229,464	208,247

On February 20, 2003 the Group issued bonds with a face value of 294,000 thousand dollars. Both the due dates and the interest rates of the issue are affected by the Group's compliance with a series of ratios and other financial covenants, calculated on the basis of the annual audited consolidated accounts for the duration of the issue until its maturity.

As stated in Note 26, this issue is hedged by exchange- and interest-rate hedges.

The breakdown of the maturity and interest rates of the debentures is as follows:

	Thousands of dollars	Interest rate
2010	75,000	5.41%
2013	199,000	6.15%
2015	20,000	6.34%
Total	294,000	

At September 12, 2008, the parties agreed to change the terms of the above bond issue agreement. Based on the terms of this change, as of December 30, 2008, the above interest rates were increased by 0.75%.

At December 31, 2008, accrued interest on the instruments maturing in 2009 amounted to 2,658 thousand euros (103 thousand euros at December 31, 2007), included under "Current debentures."

18. NON-CURRENT AND CURRENT INTEREST-BEARING LOANS AND BORROWINGS

The breakdown of this caption at December 31 is as follows:

	Thousands of euros	
	2008	2007
Bank loans and credit facilities	226,511	58,243
Discounted bills payable	2,804	1,770
Interest payable	1,109	2,685
	230,424	62,698

The classification by maturity is the following:

	At December 31, 2008				
	Thousands of euros				
	2009	2010	2011	2013	Total
Bank loans and credit facilities	75,928	25,377	34,298	90,908	226,511
Discounted bills payable	2,804	-	-	-	2,804
Interest payable	1,109	-	-	-	1,109
	79,841	25,377	34,298	90,908	230,424

	At December 31, 2007				
	Thousands of euros				
	2008	2009	2010	2011	Total
Bank loans and credit facilities	44,702	4,254	4,294	4,993	58,243
Discounted bills payable	1,770	-	-	-	1,770
Interest payable	2,650	35	-	-	2,685
	49,122	4,289	4,294	4,993	62,698

Annual interest rates applicable to the loan balances drawn down at December 31, 2008 range from 3.43% to 8.29% (3.86% to 6% in 2007).

As a result of the merger described in Note 7, at December 31, 2008, the Group had a multicurrency borrowing facility with a credit limit of 415,000 thousand euros, granted by Citigroup Global Markets Ltd and Royal Bank of Scotland plc, acting as the agent banks, and by a syndication of banks and institutional lenders. The terms and conditions of this facility is as follows:

	Thousands of euros		Amortization period	
Facility	Limit	Amount drawn at 12/31/08	Beginning date	Completion date
Tranche A loan	105,000	55,460	2007	2011
Tranche B loan	235,000	121,174	-	2013
Revolving credit facility (RCF)	(*) 75,000	45,350	-	2013
Total	415,000	221,984		

(*) In 2009, the Group renegotiated the credit limit on the revolving credit facility to its current 50,000 thousand euros.

The tranche A and B loans and the revolving credit facility have floating interest rates ranging from Euribor + 1.30% to 2.30% for the tranche A loans and the revolving credit facility, and Euribor + 2.25% to 3% for the tranche B loan. These rates are determined based on certain financial indicators (financial leverage ratio). The Group pays a drawable balance commission on the undrawn portion of the revolving credit facility equal to 35% of the Euribor differential.

All the shares of the operating companies of the Campofrío Food Group Holding, S.L. (formerly Groupe Smithfiel, S.L.) and subsidiaries are pledged in guarantee of the multicurrency borrowing facility. This facility is also covered by financial guarantees which require that the Group maintain certain cash flow, interest rate hedge, capital expenditure and leveraging ratios. Failure to comply with these conditions entitles the lenders to demand early repayment of the loans.

The group ability to comply with the financial ratios, settle the debt or refinance it, if necessary is conditioned upon the achievement of results by the business and by external factors According to the financial information available at the date of the formulation of these consolidated annual accounts and based on estimated future financial information, the Management considers that there is no likely risk of not meeting such obligations at said date. Furthermore, the Management is adopting the necessary actions in order to comply with those obligations.

To comply with the business combination agreements described in Note 7, the Group has renewed the abovementioned revolving credit facility and obtained the corresponding waiver from the lenders.

Both the tranche A and B loans can be repaid in advance without penalty.

Based on the agreements reached with the lenders, the Group must carry out the following transactions:

- 75,000 thousand euros must be repaid to the lenders within one month from the date of the business combination.

- 25,000 thousand euros must be repaid to the lenders within twelve months from the date of the business combination.

The Group made the first of the abovementioned payments at December 31, 2008 for the amount of 75,000 Thousands of euros. The amount repaid corresponds to the tranche A and B loans.

At December 31, 2008 the Group had unused borrowing facilities totaling 135,875 thousand euros (December 31, 2007: 105,881 thousand euros).

19. OTHER NON-CURRENT FINANCIAL LIABILITIES

The breakdown of this caption at December 31 is as follows:

	Thousands of euros	
	2008	2007
Finance leases (Note 6)	1,210	1,458
Other non current financial liabilities	1,957	108
Financial assets measured at fair value (Note 26)	67,312	85,088
	70,479	86,654

20. OTHER NON-CURRENT LIABILITIES

The breakdown of "Other non-current liabilities" at December 31 is the following:

	Thousands of euros	
	2008	2007
Non-repayable grants	18,019	18,127
Other liabilities	1,079	2,532
	19,098	20,659

"Non-repayable grants" mainly includes non-refundable government grants given by Public Institutions to various Group companies related to specific property, plant and equipment investment projects. The parent company's directors consider that all the requirements of the capital grants received are being met.

The breakdown of which at December 31 is the following:

	Thousands of euros	
	2008	2007
Original grants received		
Received at the beginning of the year	66,176	65,326
Received during the year	553	850
Cancelled during the year	(940)	
Less income recognized	65,789	66,176
Cancellation of government grants	(45,044)	(42,162)
During the year	(2,647)	(2,882)
	(47,691)	(45,044)
Removed from the consolidation in prior years	(4,991)	(4,991)
Other	1,170	1,986
Business combination	3,742	-
	(79)	(3,005)
	18,019	18,127

21. CURRENT AND NON-CURRENT PROVISIONS

The breakdown of the movement in these headings in 2008 and 2007 is shown in Appendix VIII, which forms an integral part of this note:

Non-current

The balance of "Commitments with employees" includes the provision corresponding to the parent company's and certain Group companies' commitments to supplement the retirement, orphan and widowhood pensions currently received by certain retired employees or their beneficiaries. These commitments are based on individual agreements with employees on an entirely voluntary basis, and are not binding for other employees. The Group has estimated accrued actuarial liabilities at December 31, 2008 and 2007, having recorded provisions under this heading.

In addition, the parent Company and certain Group companies are obliged to pay bonuses to certain employees on the basis of length of service. Liabilities accrued in this regard are included in this provision.

"Non-current financial assets" mainly corresponds to the provision recorded for certain investments, equivalent to the proportion of their negative equity, where the shareholders have the positive intention to maintain the investees.

"Taxes" corresponds to the provision recognized by the parent company and certain subsidiaries to cover the potential liability relating to tax assessments contested by the Group (Note 27). In 2008, the parent company has recognized a provision for an additional 4,300 thousand euros relating to obligations arising from certain tax commitments (Note 27).

As a result of the sale of certain non-current tangible assets by the Group in previous years, a provision was recorded to cover any possible commitments that might arise with regard to these sales. In 2007, definitive agreements were reached regarding these transactions. As a result, the Group reversed the provisions recorded in previous years.

In 2008, the circumstances which led the Group to set aside the provisions recognized in "Other commitments" and "Other" no longer exist. Consequently, the Company has released the 2,165 thousand euro overprovision previously recognized in the 2008 consolidated income statement.

"Other commitments" corresponds to the provisions made to cover the estimated costs to be incurred in urban development and demolition as a result of the Expropriation Agreement related to the parent company's old factory premises and to the sale of a plot of land. In addition, in 2007 the circumstances giving rise to certain provisions recognized under "Other" in previous years ceased to exist. As a result, at December 31, 2007, the Group released the provision recognized in previous years.

At December 31, 2008 "Other commitments" includes 2,000 thousand euros in commitments acquired by the Group in connection with the sale of a building belonging to the subsidiary OOO Campomos (Note 15).

As a result of the business combination described in Note 7, the Group recognized the following provisions at December 31, 2008:

1. Provision for restructuring amounting to 20,977 thousand euros. This provision corresponds primarily to the following obligations acquired by certain Group companies:

- In 2008, employees of the Netherlands were notified that further to the actions taken to implement the Group's restructuring strategies, the Wijhe and Deventer facilities would be restructured and the Gestel facility closed. This measure affects approximately 163 employees. At December 31, 2008, the majority of the initial restructuring is completed; the restructuring commitments as of that date totaled 3 million euros which are accrued.

- On September 9, 2008, employees in France were notified of the Group's intention to close the Saint-Etienne cooked products manufacturing plant. Under this plan, the Group contemplated staff reduction of approximately 350 employees and the possibility of transferring 250 employees to other cooked products factories in France. The estimated cost of the plan was approximately 17 million euros and the plant is expected to be closed in 2009. At December 31, 2008, the Group recognized a provision of approximately 17 million euros for these obligations.

2. Provision for taxes amounting to 1,900 thousand euros. This provision pertains primarily to 1,518 thousand euros relating to obligations of one of the Portuguese subsidiaries in connection with tax assessments from 2000 to 2004, which the Group has appealed.

3. Provision for "Other" amounting to 3,135 thousand euros. This provision was recognized at December 31, 2008 for obligations assumed by the Group for certain legal proceedings, lawsuits and pending administrative appeals filed by several public administrations.

4. The breakdown of the provision for pension obligations amounting to 20,842 thousand euros is as follows:

	Thousands of euros 2008
Commitments for defined benefit pension plans	9,288
Other pension commitments	644
Profit-sharing plan	10,910
	20,842

a) Commitments for defined benefit pension plans

The Group has pension plan commitments to complete retirement benefit payments for certain employees in the Netherlands, France, Belgium and Italy.

At December 31, 2008, the present value of benefit obligations and the fair value of plan assets were as follows:

	Thousands of euros 2008
Present value of benefit obligations	46,554
Fair value of plan assets	37,266
Commitments for defined benefit pension plans	9,288

The actuarial valuation of the value of benefit obligations was performed by qualified actuaries using the "projected credit unit method." The principal financial and actuarial assumptions used in the valuation are as follows:

	2008
Discount rate	5.75%
Wage rate (including inflation)	From 3% to 5.25% (*)
Expected return on plan assets	4.40%

(*) Wage rate varies based on the age of the employee and the country.

Social security costs forecast for 2009 amount to 1,658 thousand euros.

At December 31, 2008 the majority of plan assets associated with the aforementioned defined benefit pension plan are related to the plan for certain employees in the Netherlands. The assets were assigned as follows:

	2008
Equity	15.20%
Debt securities	82.90%
Cash	1.90%

A 0.5% variation on the discount rate would have the following effects on the provision for defined benefit plan commitments at December 31, 2008.

	%	
	Increase	Decreases
0.5% variation	8.3%	7.4%

b) Other pension commitments

The Group participates in two multi-employer defined benefit funds in the Netherlands and also has other pension commitments in Italy.

c) Profit-sharing plan

In accordance with prevailing French legislation, the subsidiaries of the Aoste Group have a profit-sharing plan to which they contribute proportionately according to their profit after tax to a fund to be distributed among the employees. The amounts payable from the plan will be available for distribution among the employees after a five-year period, unless a particular event has occurred affecting the life of an employee. The consolidated amounts deposited with the Group bear higher than market interest, as negotiated with the employees.

22. TRADE AND OTHER PAYABLES

The breakdown of this heading at December 31 is as follows:

	Thousands of euros	
	2008	2007
Public bodies (Note 27)	40,040	7,382
Payable to related companies (Note 31)	6,186	3,319
Trade payables	410,504	269,090
	456,730	279,791

23. OTHER CURRENT LIABILITIES

The breakdown of this heading at December 31 is as follows:

	Thousands of euros	
	2008	2007
Payable to suppliers of property, plant and equipment	19,491	2,810
Wages and salaries payable	44,490	8,532
Other liabilities	6,034	3,227
Interim dividend payable (Note 5)	47,150	-
	117,165	14,569

24. OTHER CURRENT FINANCIAL LIABILITIES

The breakdown of this heading at December 31 was the following:

	Thousands of euros	
	2008	2007
Other current financial liabilities (note 15)	3,000	-
Finance leases (Note 6)	1,236	536
Other	14	-
	4,250	536

"Other loans" at December 31, 2006 included the debt derived form two equity link swap contracts entered into by the parent company in 2006 with a financial institution bearing interest at the Euribor rate plus a market spread. These loans were cancelled by the parent company in 2007. In addition, "Amounts owed to financial institutions for the purchase of shareholdings" at December 31, 2006 included the amount payable to a financial institution due in 2007 related to the acquisition of Carnes Selectas 2000, S.A.U.

25. RISK MANAGEMENT POLICY

a) Risk management policy

The Group's business activities and transactions expose it to foreign currency, interest rate and other risks, which are managed by head office.

The Group's transactions are exposed to different basic financial risks:

1. - Credit risk

Credit risk exists when a potential loss may arise from the Group's counterparty not meeting its contractual obligations, i.e. the possibility that financial assets will not be recovered at their carrying amount within the established timeframe.

The main financial assets which expose the Group to credit risk are included in "Non-current financial assets" (Note 9), "Trade and other receivables" (Note 12) and other short-term balances at financial institutions classified as "Cash and cash equivalents" (Note 14) in the consolidated balance sheet.

For the purposes of credit risk management the Group differentiates between financial assets arising from operations and investments.

<u>Operating activities</u>

The amounts reflected in the consolidated balance sheet, net of estimated impairment losses, correspond to the Group's maximum exposure to credit risk. They represent, therefore, the Group's exposure to the possibility of counterparties failing to fulfill their obligations.

Balances with financial institutions relate to short-term deposits held at national banks with credit ratings which represent maximum levels of solvency.

The Group's credit risk is not particularly concentrated; its exposure is spread among a large number of counterparties and customers.

See Note 12.C for impairment losses on financial assets recognized in 2008.

Investing activities

The Group's investment policies establish that the Treasury Department can make investments per the following guidelines:

- Investments must be made through highly solvent Spanish and international financial institutions with no less than an A- credit rating according to Standard & Poor's and Fitch's ratings, or the equivalent A3 according to Moody's rating. The Group periodically reviews these institutions' credit ratings and transactions with institutions having less than an A- rating are not renewed. Consequently, investments maturing within less than one month are canceled and those maturing over more than one month are sold in a maximum period of seven days.

- Acceptable investment products include bank deposits, repos, promissory notes issued by highly solvent financial institutions, interest-bearing accounts and other similar financial products. Investment in speculative financial products or those in which the counterparty is not clearly and explicitly identified are expressly prohibited.

- Investments should be diversified to ensure that the risk is not particularly concentrated in any one institution.

- Investments are made in liquid assets with an original maturity of less than three months, or with a repurchase commitment, or on a secondary market which guarantees their immediate convertibility to cash if necessary.

- The parent company's policy for delegating powers establishes the parameters for the use of joint and several signatures based on amount.

2. - Market risk

Market risk exists when a potential loss may arise from fluctuations in the fair value or future cash flows of a financial instrument due to changes in market prices.

Cash flow risk

At December 31, 2008, the Group had floating rate borrowings in euros (Note 18) indexed to the Euribor rate. These floating rates are revised at least quarterly. At December 31, 2008, the balance drawn down amounted to 226,511 thousand euros. 200,000 thousand euros of this amount were hedged with interest rate derivatives, thus interest paid is at a fixed rate, therefore on this portion there is no cash flow risk deriving from the euro interest rate. For the remaining 26,511 thousand euros it is not the same case; assuming that at December 31, 2008 the balance drawn down remained the same, a variation of 1% in the corresponding Euribor, would lead to an annual increase or decrease in finance costs of 2,651 thousand euros.

As a result of the dollar-denominated bond issue carried out by one of the Group companies in 2003 (see Note 17), the Group has fixed-rate financing in dollars that it "hedged" (see Note 17) in order to "convert it" into euros. A large part of this debt (approximately 60%) was converted into euros at fixed rates. Consequently, there is no cash flow risk related to euro interest rates or the dollar/euro exchange rate. This is not the case with the portion of borrowings –a nominal amount of 109,728 thousand euros- converted to floating rates in euros indexed to the six-month Euribor rate. In addition, to minimize the impact of interest-rate volatility on cash flows, in 2007 the Group entered into financial instruments for a notional amount of 70,000 thousand euros. The interest rate is revised in February and August of each year.

These financial instruments are entered into with highly solvent financial institutions.

Fair value risk

The fair value of the dollar-denominated issue is, however, exposed to interest rate risk. In this case, the risk relates to the impact of movements in the dollar yield curve on the loan associated with the dollar value of the bonds issued.

However, as the Group has entered into hedges for the loan associated with this issue, there is no impact on profit or loss given the nature of the hedges. As they are either cash flow hedges (exchange rates) or fair value hedges (dollar interest and exchange rates), they are deemed to be effective. Therefore, any change in the derivatives' value is taken to equity (cash flow hedge relationship) or offset in the income statement with the loan associated with the bond (fair value hedging relationship).

Finally, the sensitivity analysis at December 31, 2008 of the change in the main variables on both the bond and the different financial instruments arranged to hedge the risk associated with the former is as follows:

Sensitivity analysis: EUR interest rate				
		% change in EUR		
		0,50%	1,00%	-1,00%
	Thousands of euros			
	Fair value	Effect		
Derivatives	(65.150)	4.158	7.762	(8.627)
Bond	(245.719)	-	-	-

Sensitivity analysis: USD interest rate				
		% change in EUR		
		0,50%	1,00%	-1,00%
	Thousands of euros			
	Fair value	Effect		
Derivatives	(65.150)	(3.863)	(7.631)	8.021
Bond	(245.719)	3.863	7.631	(8.021)

Sensitivity analysis: Exchange rate			
		% change	
		10%	-10,00%
	Thousands of euros		
	Fair value	Effect	
Derivatives	(65.150)	(22.338)	27.302
Bond	(245.719)	22.338	(27.302)

In addition, the effects described above impact on the income statement and equity as follows:

Sensitivity analysis: EUR interest rate – Impact on the income statement				
		% change in EUR		
		0,50%	1,00%	-1,00%
	Thousands of euros			
	Fair value	Effect		
Bond 3	(101.897)	-	-	-
CCS 3	(18.527)	162	322	(329)
IRS 3	(6.418)	2.060	4.068	(4.280)
IRS Cancellation	201	(1.997)	(3.944)	4.151
KIKO Collar	(3.759)	1.505	2.517	(3.133)

Sensitivity analysis: USD interest rate – Impact on the income statement				
		% change in EUR		
		0,50%	1,00%	-1,00%
	Thousands of euros			
	Fair value	Effect		
Bond 3	(101.897)	1.877	3.708	(3.897)
CCS 3	(18.527)	(1.877)	(3.708)	3.897
IRS 3	(6.418)	-	-	-
IRS Cancellation	201	-	-	-
KIKO Collar	(3.759)	-	-	-

Sensitivity analysis: Exchange rate – Impact on the income statement			
		% change in EUR	
		10%	-10,00%
	Thousands of euros		
	Fair value	Effect	
Bonds 1, 2 and 4	(143.822)	13.363	(16.333)
CCS 1, 2 and 4	(30.156)	(13.363)	16.333
Bond 3	(101.897)	9.520	(11.635)
CCS 3	(18.527)	(9.520)	11.635

Sensitivity analysis: EUR interest rate – Impact on equity				
		% change in EUR		
		0,50%	1,00%	-1,00%
	Thousands of euros			
	Fair value	Effect		
CCS 1, 2 and 4 IRS 1, 2 and 4	(30.156) (6.491)	204 2.225	406 4.394	(414) (4.623)

Sensitivity analysis: USD interest rate – Impact on equity				
		% change in EUR		
		0,50%	1,00%	-1,00%
	Thousands of euros			
	Fair value	Effect		
CCS 1, 2 and 3 IRS 1, 2 and 4	(30.156) (6.491)	(2.016) -	(3.982) -	4.185 -

Effective interest rate on borrowings

During 2008, The effective interest rate on the fixed-rate financial liabilities (the dollar-denominated bond issue, see Note 17) is the same as the coupon rates of bonds issued (between 5.41% and 6.34% in US dollars).

However, as hedges were used to "convert" the dollar-denominated borrowings (Note 26) into euros, from a financial standpoint the final effective interest rate changes from fixed to floating because of the derivatives (between 5.94 % and 6.51% for the IRS or the floating Euribor rate) in euros.

Exchange rate risk on current transactions.

The Group did not have significant exchange rate risk on current transactions in foreign currencies at December 31, 2008.

3. - Liquidity risk

Liquidity risk is the possibility that the Group will have insufficient funds or lack access to sufficient funds at an acceptable cost to meet its payment obligations at all times. The Group's objective is to maintain sufficient available funds. Group policies establish the minimum liquidity levels required at all times:

- Surplus cash may only be invested in certain types of assets (see credit risk – investing activities above) which guarantee convertibility to cash.
- Surplus cash is invested in short-term investments (one to three months) which guarantee that more than 60% mature within less than one month and/or can be readily converted to cash.
- The Group has renewable borrowing facilities for amounts that ensure its capacity to meet its operating needs as well as to finance short-term investment projects. At year end 2008 the Group had unused borrowing facilities amounting to 135,875 thousand euros.

b) Capital management policy

The primary objective of the Group's capital management policy is to safeguard its capacity to continue managing its on-going activities and continue growing through new projects, while maintaining an optimal debt to equity ratio to create value for its owners.

The Group finances growth through:

- nternally generated cash flows from ongoing business activities.

- A financial leverage rate which enables it to rely on the generation of cash flows as well as alternative financing methods which may be used at any time to meet its investment needs.

In this regard, the Group endeavors to maintain moderate indebtedness as its optimum indebtedness level.

26. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's does not generally use financial instruments that expose it to negative market contingencies that could undermine its equity.

Only where the risk warrants, the Group uses derivatives or similar instruments in an attempt to achieve maximum effectiveness in the hedging relationship. It avoids speculative positions in the domestic and international financial markets.

The Group has designated the fair value, cash flow and other similar hedging relationships to which it wishes to apply hedge accounting, having complied with the documentation and other content required under IAS 32 and 39.

The breakdown at December 31, 2008 and 2007 of financial instruments and their fair values is as follows:

a) C.C.I.R.S (Cross currency interest rate swap)

	C.C.I.R.S (Cross Currency Interest Rate Swap)			
Amount payable by the Group at floating rate (thousands of euros)	69,124	73,767	18,433	109,728
Amount receivable by the Group at fixed rate (thousands of dollars)	75,000	80,000	20,000	119,000
Subscription date	01.27.03	01.27.03	01.27.03	01.27.03
Effective start date	02.20.03	02.20.03	02.20.03	02.20.03
Expiry	02.20.10	02.20.13	02.20.15	02.20.13
Fair value at 12/31/08 (thousands of euros)	(2) (15,143)	(2) (12,456)	(2) (2,557)	(3) (18,527)
Fair value at 12/31/07 (thousands of euros)	(19,245)	(20,798)	(5,231)	(30,937)
Interest rate charged by the Company	5.41%	6.15%	6.34%	6.15%
Interest rate paid by the Company	6 month Euribor + 1.561%	6 month Euribor + 1.75%	6 month Euribor + 1.705%	6 month Euribor + 1.75%

b) I.R.S (Interest rate swap)

	I.R.S. (Interest rate Swap)					
Notional amount (thousands of euros)	69,124	73,767	18,433	109,728	109,728	(*) 70,000
Subscription date	12.16.04	12.16.04	01.22.04	01.22.04	12.23.04	Between 06.20.07 and 07.27.07
Effective start date	12.20.04	12.20.04	12.20.04	12.20.04	12.20.04	08.20.07
Expiry	02.20.10	02.20.13	02.20.15	12.16.13	02.20.13	02.20.13
Fair value at 12/31/08 (thousands of euros)	(2) (694)	(2) (4,314)	(2) (1,483)	(1) (6,418)	(1) 201	(1) (3,759)
Fair value at 12/31/07 (thousands of euros)	118	(868)	(354)	(1,291)	(5,920)	(562)
Interest rate paid by the Company	4.38%	4.70%	4.81%	4.70%	6 month Euribor + 1.32%	(*)
Interest rate charged by the Company	6 month Euribor	6 month Euribor	6 month Euribor	6 month Euribor	4.70%	(*)

(*) In 2007, the Group arranged five trading derivatives with an average cap of 4.52% and an average floor or 3.25%.

	I.R.S. (Interest Rate Swap)			
Notional amount (thousands of euros)	50,000	50,000	50,000	50,000
Subscription date	4.9.08	4.9.08	19.1.07	29.1.07
Effective start date	15.9.08	15.9.08	31.1.07	31.1.07
Expiry date	15.12.09	15.12.09	29.1.10	31.1.10
Fair value at 12/31/2008 (thousands of euros)	(2) (902)	(1) (843)	(1) (974)	(1) (947)
Fair value at 12/31/07 (thousands of euros)	-	-	276	296
Interest rate paid by the Company	Euribor a 1 mes	Euribor a 3 meses	Euribor a 3 meses	Euribor a 3 meses
Interest rate charged by the Company	3,94%	4,11%	4,113%	4,11%

c) Exchange rate derivatives hedging commercial transactions

	12.31.08
Notional amount (thousands of GBP)	6,700
Notional amount (thousands of euros)	8,428
Subscription date	10.07.08
Expiry date	Monthly
Fair value at 12/31/2008 (thousands of euros)	(2) 1,504
Exchange rate purchased (put option purchased)	0.7950
Knock-in barrier	0.7313
Strike	0.7950

At December 31, 2008 the Group had arranged exchange rate derivatives on commercial transactions maturing monthly from January 28, 2009 until December 29, 2009. The commercial transactions are related to trade receivables in pounds sterling (GBP). The Group has put options on those balances at an exchange rate in euros of 0.7950. The transactions have a knock-in barrier of 0.7313. If prevailing exchange rates upon maturity of the transactions are below that amount, the strike exchange rate is 0.7950.

(1) Derivatives held for trading
(2) Derivatives in a cash flow hedge
(3) Derivatives in a fair value hedge

The notional amount of derivative contracts entered into relates to the amount at which future settlement of the derivative is made.

The Group's outstanding derivatives, fair value and maturities at December 31, 2007 and 2008 are as follows:

Situation at 12/31/07 and 12/31/08	Fair value At 12/31/07	Fair value At 12/31/08	Notional	Outstanding notional principle			
				2009	2010	2013	2015
Cash flow hedges (2)	(46,380)	(38,809)	369,752	108,428	169,124	73,767	18,433
Fair value hedges (3)	(30,937)	(18,527)	109,728	-	-	109,728	-
Derivatives held for trading (1)	(7,771)	(9,976)	179,728	-	-	179,728	-
TOTAL (Note 19)	(85,088)	(67,312)					

The notional amount of derivative contracts entered into relates to the amount at which future settlement of the derivative is made.

The amount recognized under "Total equity" for the year ended December 31, 2008 corresponding to cash flow hedges and other similar instruments after tax was 6,813 thousand euros. In 2007, this amount was 4,789 thousand euros.

The expected movements in cash in the coming years arising from the derivatives entered into from December 31, 2008 are the following:

	2009	2010	2011	2012	Subsequent years	Total
Cash flow hedges	(2,914)	(17,985)	(1,309)	(1,218)	(15,383)	(38,809)
Fair value hedges	(1,163)	607	78	(252)	(17,797)	(18,527)
Derivatives held for trading	(1,720)	(2,846)	(2,332)	(2,044)	(1,034)	(9,976)
Total	(5,797	(20,224)	(3,563)	(3,514)	(34,214)	(67,312)

The expected movements in cash in the coming years arising from the derivatives entered into from December 31, 2007 are the following:

	2008	2009	2010	2011	Subsequent years	Total
Cash flow hedges	(3,097)	(2,904)	(18,062)	(1,470)	(20,847)	(46,380)
Fair value hedges	(2,084)	(1,565)	(1,464)	(1,548)	(24,276)	(30,937)
Derivatives held for trading	(1,308)	(1,395)	(1,455)	(1,436)	(2,177)	(7,771)
Total	(6,489)	(5,864)	(20,981)	(4,454)	(47,300)	(85,088)

Nature of risks hedged

- Cash flow hedges: The risk hedged is the variability in cash flows related to the repayment of interest and principal in dollars caused by changes in forward EUR/USD exchange rates (note 17). The hedging instrument offsets the variability in cash flows. In addition, in 2008, the risk hedged included foreign currency risk on the EUR/GBP exchange rate associated with the Group trade receivables, and interest rate risk on the multicurrency borrowing facility (Note 18).

- Fair value hedges: The risk hedged is the exposure to changes in the fair value of the dollar-denominated bonds related to EUR/USD exchange rate and dollar interest rate risks.

The net gains on cash flow hedges taken to Group equity amounted to 4,900 thousand euros in 2008 (14,263 thousand euros in 2007).

27. TAX SITUATION

The breakdown of amounts due from public bodies at December 31 is the following:

Current	Thousands of euros	
	2008	2007
Sundry taxes receivable from the Treasury	22,602	5,335
Recoverable VAT	31,217	8,579
Taxes receivable (Note 12)	53,819	13,914

Deferred tax assets	Thousands of euros	
	2008	2007
Carryforwards of unused tax credits	27,154	-
Deferred income tax asset		
Spanish companies	10,365	12,467
Foreign subsidiaries	24,258	3,923
	61,777	16,390

The breakdown of credit balances with public bodies is the following:

Current	Thousands of euros	
	2008	2007
Taxes payable to the Treasury	10,647	4,023
Amounts payable to social security agencies	24,797	2,507
Other	4,596	852
Taxes payable (Note 22)	40,040	7,382
Current tax liabilities	12,705	2,439

Deferred tax liabilities	Thousands of euros	
	2008	2007
Deferred tax liability	139,754	28,774

Taxable profits, determined in conformity with prevailing tax legislation, are subject to a 32.5% tax in 2007 and 30% in 2008 of taxable income for companies located in Spain, and a tax that varies from 16% to 34% for foreign subsidiaries. Nevertheless, the resulting taxable income may be reduced by certain allowable deductions.

Campofrio Food Group, S,A, files taxes under the consolidated tax scheme, as the parent Company of Group no, 54/97 and Gecalial, S.L.U, Valpro Alimentación, S.A.U., and La Montanera, S.A.U. and Carnes Selectas 2000, S.A.U. as subsidiaries.

The reconciliation of the income tax expense calculated by multiplying accounting profit by the tax rate applicable in Spain and actual income tax is the following:

	Thousands of euros	
	2008	2007
Consolidated profit before taxes	26,257	61,258
Income tax expense calculated at the domestic tax rate	8,246	20,184
Permanent differences		
From individual companies	399	(2,460)
From consolidation adjustments	42	1,169
Deductions and credits	(1,252)	(1,030)
Adjustments for international tax rates	(20)	(2,043)
Adjustments for change in the tax rate	-	82
Other	5,433	(467)
Income tax expense	12,848	15,435
Effective tax rate	48.93%	25.20%

Regarding the deduction for reinvestment of extraordinary income regulated by article 42 of the revised Spanish Corporation Tax Law approved by Legislative Royal Decree 4/2004, dated March 5 (as per the wording of Law 16/2007, July 4, which reforms and adapts accounting regulations contained in mercantile law for the purposes of international harmonization, based on the related EU directive), the Company has not recognized any deduction in 2008.

Deductions for reinvestment in prior years are the following:

- Reinvestment commitments amounting to 3,284 thousand euros, corresponding to divestments carried out prior to 2007, were met through investments made in 2007.

  In addition, in 2007 the Group obtained a deduction for reinvestment of extraordinary income provided for by the aforementioned law for 625 thousand euros on deductible income of 4,310 thousand euros, having fulfilled its reinvestment commitment in 2007.

- Reinvestment commitments amounting to 778 thousand euros, corresponding to divestments carried out in 2006 for which the Group obtained a profit of 371 thousand euros and a deduction for reinvestment of extraordinary income of 74 thousand euros, were met with investments made in 2006.

  Additionally, during 2006, divestments were carried out by the Group for which it obtained a profit of 10,468 thousand euros and a 1,004 thousand euro deduction for reinvestment of extraordinary income provided for by RDL 4/2004 of March 5. The Group met its commitment to reinvest through investments made during 2006 by the Group companies which generated the deductions and belong to tax group 54/97.

- Reinvestment commitments of 691 thousand euros corresponding to divestments carried out in 2005, for which the Group obtained a profit of 520 thousand euros and from which deductions worth 103 thousand euros were made, were met by investment made in 2005, and the Company availed itself of the deduction for reinvestment of extraordinary income.

- In addition, in 2005 the Group met its commitment to reinvest 1,693 thousand euros related to the deferral for reinvestment in preceding years of 1,038 thousand euros related to Omsa Alimentación, S.A.

- Reinvestment commitments amounting to 9,432 thousand euros, corresponding to divestments carried out in 2004 for which the Group obtained a profit of 7,134 thousand euros and a deduction for reinvestment of extraordinary income of 1,427 thousand euros, were met with investments made in 2003 and 2004.

- The 1,792 thousand euros of reinvestment commitments related to divestments made in 2003 for which the Group received a profit of 997 thousand euros, and from which deductions worth 199 thousand euros were made, were met by investments made in 2003, with the Group availing itself of the deduction for reinvestment of extraordinary income provided for by Law 43/1995, of December 27, and the RDL 4/2004 of March 5.

- Divestments made in 2002 for which the Group received a profit of 1,922 thousand euros, and from which deductions worth 327 thousand euros were made, gave rise to investment commitments worth 2,304 thousand euros. These commitments were met by investments made in 2002, and the Group availed itself of the deduction for reinvestment of extraordinary income provided for by Law 43/1995, of December 27.

- Divestments made in 2001 and previous years for which the Group received a profit of 63,170 thousand euros, and from which deductions worth 10,739 thousand euros were made, gave rise to investment commitments worth 76,628 thousand euros. These commitments were met by investments made in 1999, 2000 and 2001, and the Group availed itself of the deduction for reinvestment of income from past years provided for by Law 24/2001, of December 27.

In accordance with current Spanish legislation, taxes cannot be considered definitive until they have been inspected by the tax authorities or the inspection period of four years has elapsed.

In December 2000 the inspection process begun in previous years concerning various tax declarations filed by the parent company (Income Tax statements for the years 1991 to 1995, Value Added Tax declarations for the years 1993 and 1994 and Personal Income Tax (IRPF) withholdings for the years 1993 to 1995 all inclusive) was completed. As a result of that inspection several tax assessments were issued, some of which were signed in agreement and others in disagreement.

Based on new information, the parent company decided to recognize an additional provision of 4.300 thousand euros (Note 21) relating to tax assessments signed in disagreement.

In December 2003 the inspection process begun in previous years concerning various tax declarations filed by the companies belonging to the subgroup headed by Omsa Alimentación, S.A. (Income Tax declarations for the years 1997 to 2000, Value Added Tax declarations for the years 1999 to 2001 and Personal Income Tax (IRPF) withholdings and the withholdings and payments on account on equity investments for the years 1991 to 2001 all inclusive) was completed, All the above are the responsibility of Campofrío Food Group, S.A., except for any part that might be recovered from the guarantee for that purpose provided by the sellers of the shares of Ajino, S,L, acquired in 2003. As a result of this inspection, tax assessments were issued and signed in disagreement which are provided for at December 31, 2008 based on the parent company's estimates made on the assumption that these assessments will have to be paid.

In accordance with prevailing Spanish tax legislation, when applicable regulations are applied to determine the tax assessment basis and negative tax results are obtained, losses declared may be carried forward to be offset against profits over a period of fifteen years as of the year in which they arise and applied proportionally as deemed appropriate. Loss carry forwards are offset when the tax declarations are filed and may be verified by the corresponding tax authorities.

Campofrío Group had the following loss carryforwards to be offset against future profits at December 31:

2008	
Available through	Thousands of euros
2008	7,811
2009	358
2010	358
2011	564
2015	2,130
2016	2,256
2017	799
2023	37,481
No limit	161,472
	213,229

2007	
Available through	Thousands of euros
2007	3,118
2008	7,811
2009	358
2010	358
2011	564
2015	2,130
2016	2,256
2017	799
No limit	-
	17,394

28. NET SALES AND SERVICES

The breakdown of net sales and services in 2008 and 2007 by geographical market is as follows:

	Thousands of euros	
	2008	2007
Spain	780,479	755,829
Foreign market	141,350	137,328
	921,829	893,157

29. PERSONNEL EXPENSES

The breakdown of this heading in 2008 and 2007 is as follows:

	Thousands of euros	
	2008	2007
Wages, salaries, et al,	117,283	107,306
Dismissal indemnities	2,807	9,137
Social security costs	31,569	29,782
Other welfare charges	3,668	2,114
	155,328	148,339

In 2008, the average number of employees of Campofrío Food Group, S.A. and its fully consolidated subsidiaries is 5,187 (5,198 in 2007), the breakdown by professional category is the following:

Professional category	Number of employees	
	2008	2007
Directors, engineers and technical staff	569	469
Administrative staff	423	393
Production staff	3,252	3,338
Sales and distribution staff	943	998
	5,187	5,198

At December 31, 2008, the breakdown of Campofrío Group staff by gender was as follows:

	Men	Women	Total
Senior executives	13	1	14
Directors, engineers and technical staff	646	202	848
Administrative staff	224	322	546
Production staff	5,285	2,701	7,986
Sales and distribution staff	800	387	1,187
	6,968	3,613	10,581

At December 31, 2007, the breakdown of Campofrío Group staff by gender was as follows:

	Men	Women	Total
Senior executives	6	-	6
Directors, engineers and technical staff	329	134	463
Administrative staff	250	146	396
Production staff	2,421	847	3,268
Sales and distribution staff	514	436	950
	3,520	1,563	5,083

30. OPERATING LEASES

The Group has operating leases on certain assets. These leases have an average life of between 1 and 9 years, with no renewal option included in the contracts and in most cases are adjusted in accordance with the annual CPI. There are no restrictions placed on the Group by entering into these leases.

Future minimum operating lease payments at December 31, 2008 and 2007 are the following:

	Thousands of euros	
	2008	2007
Within one year	6,219	3,070
After one year but not more than five years	8,119	1,927
More than five years	4,294	-
	18,632	4,997

31. RELATED-PARTY TRANSACTIONS AND BALANCES

Transactions between the parent company and its subsidiaries, which are related parties, are part of the companies' ordinary business and object and have been eliminated on consolidation. The breakdown is not disclosed in this note.

Significant shareholders

Transactions carried out in 2008 and 2007 with significant shareholders, all on an arms' length basis, and in the ordinary course of the Company's operations, were the following:

Significant shareholder	Group company	Nature of the relationship	Type of transaction	Thousands of euros	
				2008	2007
Pedro Ballvé Lantero	Campofrío Food Group, S.A.	Contractual	Loan interest	-	6
Pedro Ballvé Lantero	Campofrío Food Group, S.A.	Contractual with Telepizza Group	Sale of raw materials	124	132
Pedro Ballvé Lantero	Campofrío Food Group, S.A.	Contractual with Telepizza Group	Purchase of goods	365	616
Pedro Ballvé Lantero	Campofrío Portugal, S.A.	Contractual with Telepizza Group	Purchase of goods	2	-
Smithfield Foods, Inc.	Campofrío Food Group, S.A.	Contractual with Smithfield Global Products Inc	Purchase of goods	22	-
Smithfield Foods, Inc.	Campofrío Food Group, S.A.	Contractual with Aoste	Purchase of goods	709	-
Smithfield Foods, Inc.	Campofrío Food Group, S.A.	Contractual with Animex	Purchase of goods	9	-
Smithfield Foods, Inc.	Campofrío Food Group, S.A.	Contractual with Jean Caby	Purchase of goods	1,571	-
Smithfield Foods, Inc.	Campofrío Food Group, S.A.	Contractual with Smithfield Global Products Inc	Sale of goods	903	-
Smithfield Foods, Inc.	Campofrío Food Group, S.A.	Contractual with Smithfield Europe Products	Services received	19	-
Smithfield Foods, Inc.	Campofrío Food Group, S.A.	Contractual with Smithfield Global Products Inc	Services rendered	21	-
Smithfield Foods, Inc.	Campofrío Food Group, S.A.	Contractual with Aoste	Sale of goods	686	-
Smithfield Foods, Inc.	OOO Campomos	Contractual with Animex	Purchase of goods	30	-
Smithfield Foods, Inc.	SC Tabco	Contractual with Agroalim Distribución, S.R.L.	Purchase of goods	9	-
Smithfield Foods, Inc.	SC Tabco	Contractual with Smithfield Products, SRL	Services received	14	-
Smithfield Foods, Inc.	SC Tabco	Contractual with Animex	Purchase of goods	137	-
Smithfield Foods, Inc.	SC Tabco	Contractual with Smithfield Procesare, SRL	Purchase of goods	702	-
Smithfield Foods, Inc.	SC Tabco	Contractual with Frigorifer, S.A.	Services received	52	-
Smithfield Foods, Inc.	Campofrío Food Group, S.A.	Contractual	Purchase of goods	-	980
Smithfield Foods, Inc.	Campofrío Food Group, S.A.	Contractual	Sale of goods	-	900
Luis Serrano Martín	Campofrío Food Group, S.A.	Contractual with Agroibéricos de Raza, S.L.	Purchase of raw materials	17,661	23,552
Luis Serrano Martín	Campofrío Food Group, S.A.	Contractual with Agroibéricos de Raza, S.L.	Sale of goods	34	-
Caja de Burgos	Campofrío Food Group, S.A.	Contractual	Services received	-	13
Caja de Burgos	Campofrío Food Group, S.A.	Contractual	Sale of goods	3	77
Pedro Ballvé Lantero and Fernando Ballvé Lantero	Campofrío Food Group, S.A.	Contractual with Desarrollo Ganadero Español, S.A.	Purchase of goods	1,903	12,121
Luis Serrano Martín	Campofrío Food Group, S.A.	Contractual	Purchase of goods	-	38
Luis Serrano Martín	Campofrío Food Group, S.A.	Contractual with Seda Solubles, S.L.	Sale of goods	4	4
Luis Serrano Martín	Campofrío Food Group, S.A.	Contractual	Purchase of goods	-	439
Luis Serrano Martín	Campofrío Food Group, S.A.	Contractual with Casa del Armiño, S.A.	Sale of goods	26	1
Luis Serrano Martín	Campofrío Food Group, S.A.	Contractual with Seda Solubles, S.L.	Services received	39	(4)
Luis Serrano Martín	La Montanera, S.A.	Contractual with Agroibéricos de Raza, S.L.	Sale of raw materials	7,667	8,304
Luis Serrano Martín	La Montanera, S.A.	Contractual with Bañuste	Sale of raw materials	1,312	-

Associates

Transactions with associates were the following:

	Thousands of euros	
	2008	2007
Revenues		
Net sales	4	25
Finance revenue	60	52
Other operating revenues	178	171
	242	248
Expenses		
Operating expenses, external services	4,567	5,001
	4,567	5,001

The breakdown of current and non-current receivables from related parties at December 31 is the following:

	Thousands of euros	
Related companies (Trade and other receivables) (Note 12)	2008	2007
Cogeneradora Burgalesa, S.A.	73	71
Navidul Argentina, S.A.	868	1.509
Campofrío Brasil LTDA	741	608
OMSA France	-	314
Other	177	165
	1,859	2,667
Loans to related companies (Current financial assets)		
Navidul Cogeneración, S.A. (Note 13)	1,157	1,108

The breakdown of payables to related companies at December 31 is as follows (note 22):

	Thousands of euros	
	2008	2007
Cogeneradora Burgalesa, S.A.	1,125	805
Navidul Argentina, S.A.	-	512
Navidul Cogeneración, S.A.	1,942	2,002
SFDS Global Holdings, B.V.	3,000	-
Other	119	-
	6,186	3,319

As part of the business combination carried out in 2006 (Note 8) associated with the "Earn-Out Note" entered into by Campofrío Food Group Holding, S.L. (formerly Groupe Smithfield, S.L.) and SFDS Global Holdings, B.V. on August 7, 2006, in which the former agreed to pay up to a maximum of 6,000 thousand euros if a certain financial objective was attained in the first three years, on September 18, 2008, in view of the results of the business combination described in Note 7 and the difficulties of monitoring the financial objectives proposed, the parties agreed to an advance settlement through the payment of 3,000 thousand euros, to be made on January 2, 2010.

Directors and Senior Management

Members of the Board of Directors and senior managers of the Campofrío Group, as well as the people and companies they represent, were not involved in any extraordinary and/or relevant transactions to the Company in 2008 and 2007.

a) Compensation and other benefits

The parent Company has adopted the new reporting model of the Annual Corporate Governance Report for listed companies related to the Unified Spanish Corporate Governance Code.

1. Compensation to directors in 2008 and 2007:

The breakdown of remuneration accrued in the Group by members of the parent company's Board of Directors at December 31, is as follows:

	Thousands of euros	
	2008	2007
Expense allowance	612	578
Variable remuneration paid to executive directors	585	392
Salaries executive directors	1,126	1,054
	2,323	2,024

At December 31, 2008 and 2007, the Group had no pension plan or life insurance policies for former or current members of the Board of Directors nor had it given any guarantees on their behalf. In 2008, the Group paid 7 thousand euros in life insurance premiums for Board members of the parent company.

The amount of the compensation paid to executive directors includes the amount attributable to the two executive directors of the company during 2008.

In December 2008, a settlement of 1,115 thousand euros was made as severance in relation to the discontinuation of an employment contract in force prior thereto with an executive director. As this severance payment is a non-recurring payment, the parent company has opted not to include it in the detail above as so doing would distort the actual volume of compensation paid to directors for discharging their duties.

On 18 September 2008, as a consequence of the delivery during the third quarter of 2008 of certain metrics at the group, the parent company's board approved settlement of the various components of the 2006-2007-2008 medium term management compensation plan; accordingly, a 4,956 thousand euro liability was recognized in connection with the amounts accruing to the plan beneficiaries.

The compensation earned by the executive directors with regard to the aforementioned Plan amounts to 2,069 thousand euros. However, 696 thousand euros of that amount will be paid in 2009.

2. Identification of senior management and total compensation paid in 2008 and 2007:

Senior management	
Name	Position
José Luís Macho Conde (*)	Group General Managing Director
Jesús de la Viuda Martínez	General Financial Director
Miguel Ángel Ortega Bernal	Fresh Meat General Managing Director
Alfredo Sanfeliz Mezquita	General Secretary
José Miguel Garrido Cristo (*)	International Division General Managing Director
Fernando Valdés Bueno	Iberian Peninsula General Managing Director
Isabel Ropero Póliz (***)	Investor Relations Director
Juan Carlos Peña (***)	Internal Audit Manager
Ovidiu Wencz (***)	Romania Country Manager
Eduardo Miguel Orense (**)	General Human Resources Director

(*) Ceased providing services to the Group in 2007.
(**) Began providing services as the Group's Human Resources Director in 2007.
(***) The above positions have been classified as Executive Management in 2008.

Compensation	Thousands of euros	
	2008	2007
Total compensation paid to senior management	3,986	(*) 2,879

(*) In 2007, the amount includes salaries, indemnities (for 450 thousand euros) and settlement payments to the two managers that ceased providing services in 2007.

At December 31, 2008, there were two contracts with senior managers providing for compensation if employment was terminated during a defined period.

On 18 September 2008, as a consequence of the delivery during the third quarter of 2008 of certain metrics at the group, the parent company's board approved settlement of the various components of the 2006-2007-2008 medium term management compensation plan; accordingly, a 4,956 thousand euro liability was recognized in connection with the amounts accruing to the plan beneficiaries.

Similarly in relation to aggregate remuneration accrued by senior management, it is hereby noted that the amount disclosed as compensation accrued by senior management in 2008 in connection with this plan is 1,798 thousand euros, even though it corresponds to a three-year period accrued income and although 976 thousand euros of this balance will be paid in 2009. These amounts are included in the detail above.

b) Other information on the Board of Directors

The Directors of the parent company have informed that they hold at December 31, 2008 the following shareholdings in companies whose activity is identical, similar or complementary to the activity which comprises the parent company's corporate purpose:

Director	Investee	Shareholding	Position/Function
Pedro Ballvé Lantero	Tele Pizza, S,A, Desarrollo Ganadero Español, S.A.	22.50% 38.17%	Chairman -
Charles Larry Pope	Smithfield Food, Inc	0.23%	Chairman and Chief Executive
Luis Serrano Martín	Agroibéricos Deraza, S.L. Casa del Armiño, S.A. Bañuste Agropecuaria, S.A.	Less than 5% Less than 5% Less than 5%	- - -
Richard Jasper Poulson	Smithfield Food, Inc	0,01%	Executive Vice Chairman

The Directors have also confirmed the following in respect of positions held and duties performed in companies with identical, similar or complementary activities to those which comprise the activity corresponding to the parent company's corporate purpose and in respect of activities performed on their own behalf or on account of third parties that are identical, similar or complementary to that which comprise the parent company's corporate purpose:

Director	Company	Position/Function
Juan José Guibelalde Iñurritegui	Jamones Burgaleses, S.A. Navidul Extremadura, S.A.	Chairman Chairman in representation of Campofrío Food Group, S.A.

The transactions with related parties have been carried out at arm's length.

There are nine directors on the Parent Company's Board of Directors, all of whom are men.

32. COMMITMENTS AND OTHER CONTINGENCIES

a) Guarantees

At December 31, 2008 the Group has extended guarantees to third parties totaling 45,614 thousand euros (29,624 thousand euros in 2007) for various items, the most significant of which are as follows:

- 1,262 thousand euros corresponding to a guarantee extended to the Burgos City Council in relation to certain demolition and construction work to be carried out as a result of the Expropriation Agreement on an old Group factory.

- 1,938 thousand and 4,683 thousand euros, respectively, corresponding to guarantees submitted to the National Inspection Office of the Spanish Treasury for tax assessments related to 1995 and 1993 income tax, respectively which the Company signed in disagreement on December 1, 2000.

- 12,000 thousand euros corresponding to the guarantee given to the buyer of the shares of OOO Campomos (Note 15).

- 299 thousand euros corresponding to a guarantee submitted to cover potential failure to comply with commitments assumed in relation to the representation, distribution and technical assistance contract in the Dominican Republic.

- 2,500 thousand euros corresponding to the guarantee given to the buyer of the shares of Campofrío Montagne Noire, S.A.

- 1,696 thousand euros corresponding to the guarantee given in relation to the application for aid for the project to build the Ólvega plant.

- 1.272 thousand euros corresponding to guarantees given in relation to the fulfillment of obligations assumed in various advertising contracts entered into in 2008.

- 6,233 thousand euros corresponding to bank guarantee deposited with the National Tax Inspection Office with regard to tax assessments resulting from an inspection of Grupo Omsa accounts that were signed in disagreement.

- 4,214 thousand euros corresponding to various guarantees deposited with Portuguese tax authorities by the subsidiary Industrias de Carne Nobre, S.A., in relation to various procedures being carried out currently mainly related with income tax.

- 2,790 thousand euros corresponding to guarantees deposited by several subsidiaries to various European authorities related to monitoring the production, import and export of meat products in the normal course of their activities.

b) Share purchase commitments

On January 7, 2003, the parent company signed an agreement with a financial entity and another company whereby it received a call option on all the shares of Jamones Burgaleses S.A. held by the abovementioned companies, to be exercised between the fourth year after the signing of the contract and January 31, 2011. The parent company also granted a put option on the same shares to these companies.

c) Other commitments

1. - At December 31, 2008, the Group had 1,951 thousand euros in firm commitments to purchase plant and equipment, mainly related to new machinery.

2. - The Group is a party to several agreements by which it may be obliged to pay indemnities to third parties regarding certain matters. The obligations arise mainly from agreements signed by the Group, by which it agreed to pay indemnities to a third party for losses stemming from a breach of covenants and guarantees associated with property rights to assets sold, demands for payment of trade receivables, environmental issues, terms of leases, and certain tax matters.

As a result of the business combination in 2006 of Sara Lee Foods Europe (SLFE) and Jean Caby (Note 8), the Group assumed some of SLFE's declarations, guarantees and agreements associated with those matters.

3.- The parent company is underwriter of the 294,000 thousand USD bond issue held by investee Campofrío Internacional Finance, S.A.R.L. The bonds initially mature in 2015 (note 17).

At December 31, 2008, certain subsidiaries have provided additional guarantees to the holders of bonds issued, pursuant to the agreement dated February 20, 2003, by the parent company through the Campofrío International Finance, S.A.R.L. subsidiary.

In accordance with the terms of the "Guarantee Contract" signed by the aforementioned parties on December 11, 2008, the guarantees provided to the bond holders were necessary to obtain the waiver required pursuant to the business combination described in Note 7.

4. - Pursuant to the multi-industry agreement in France on January 11, 2008 (ANI), a minimum dismissal indemnity was established for workers in France. The agreement was extended on July 26, 2008 to apply to all the French companies. Given the various interpretations of the former law, the Group considered that indemnities related to pension commitments are not covered therein, and therefore no additional provision was recognized at December 31, 2008. The Group's maximum exposure at that date is an estimated 8,100 thousand euros.

d) Contingencies

In 2008, the Parent Company resolved its former conflicts with various Proinserga Group companies. In this regard, the Parent Company reached agreements with these companies as a result of bankruptcy administration procedures, by virtue of which it recognized all receivables for which various Campofrío Group companies had requested recognition.

In addition, Incorporc, S.A., Primayor Foods, S.A., Primayor Elaborados, S.A., Primayor Andalucía, S.A. and Proinserga Inversiones, S.A. have all withdrawn the claims they filed against the Parent Company in the second half of 2008. In return, the Parent Company has pardoned 75% of the receivables from Proinserga Group companies referred to above, which were formerly recognized in the settlement agreement. In addition, the Parent Company assumed several production commitments at facilities of the Proinserga Group and has a share, together with other livestock farmers, in the purchase of productive assets relating to four farms located in the province of Palencia. The disbursement for this investment is not expected to exceed one million euros.

The Directors consider that any unforeseen liabilities at December 31, 2008 arising as a result of the abovementioned guarantees and commitments will not have a significant effect on the annual accounts.

33. ENVIRONMENTAL ISSUES

In 2007 and 2008 the Group did not incorporate systems, equipment or installations for significant amounts to protect and improve the environment. The net carrying value of related assets included in the accompanying consolidated balance sheet at December 31, 2008 amounts to 1,670 thousand euros (406 thousand euros in 2007).

The Group also recorded in 2008 approximately 2,241 thousand euros in environmental protection and improvement expenses (1,645 thousand euros in 2007).

The accompanying consolidated balance sheet includes no environmental provision given that the parent company's directors consider that at year end there are no potential risks associated with the Group's business regarding prevention, reduction or restoration due to environmental damages and that any related risks that might exist would not be significant.

34. ADDITIONAL INFORMATION

Audit fees of the Group's consolidated annual accounts and of the individual annual accounts of the companies that comprise the Group in 2008 amounted to 636 thousand euros (644 thousand euros in 2007).

In addition, fees paid during the year for other services rendered by the Group's statutory auditor in 2008 amounted to 985 thousand euros (243 thousand euros in 2007).

35. ADDITIONAL NOTE FOR ENGLISH TRANSLATION

These financial statements are presented on the basis of International Financial Reporting Standards adopted by the European Union (EU-IFRS). Consequently, certain accounting practices applied by the Group may not conform with generally accepted principles in other countries.

CAMPOFRÍO FOOD GROUP, S.A.
(FORMERLY CAMPOFRÍO ALIMENTACIÓN, S.A.) AND SUBSIDIARIES
Breakdown of Group companies
December 31, 2008 and 2007

Company	Year of incorporation	Duration	Registered address	Principal activity	Percentage ownership Direct 2008	Direct 2007	Indirect 2008	Indirect 2007
Fully consolidated								
La Montanera, S.A.U. (*)	1987	Indefinite	Toledo (Spain)	Iberian pig farm	100.00	100.00	-	-
CampoMos and subsidiaries (*)	1990	Indefinite	(Russian Federation)	Manufacture, processing and sale of food products.	-	100.00	-	-
Campofrío Portugal, S.A. (*)	1996	Indefinite	Mem-Martins (Portugal)	Manufacture, processing and sale of food products.	100.00	100.00	-	-
SC Tabco Campofrio, .S.A. (*)	1991	Indefinite	Tulcea (Romania)	Manufacture, processing and sale of food products.	97.92	97.92	-	-
Tenki International Holding, B.V.	1989	Indefinite	Haarlem (Netherlands)	Holding company	100.00	100.00	-	-
Valpro Alimentación, S.A.U.(*)	1994	Indefinite	Valencia (Spain)	Sale and industrialization of beef, pork and lamb products.	100.00	100.00	-	-
Campofrío Internacional Finance S.A.R.L. (*)	2003	Indefinite	Luxemburg	Holding company	100.00	100.00	-	-
Total Meat Marketing, S.R.L.	2001	Indefinite	Nicolae Balcescu (Romania)	Holding company	100.00	100.00	-	-
Navidul Extremadura, S.A. (*)	1997	Indefinite	Madrid (Spain)	Manufacture of hams and shoulder hams.	77.48	47.48	-	-
Jamones Burgaleses, S.A. (*)	1998	Indefinite	Burgos (Spain)	Processed food manufacturing services.	40.00	40.00	-	-
Degaro, S.R.L Tulcea (*)	2002	Indefinite	Tulcea (Romania)	Livestock raising	-	-	100.00	100.00
Carnes Selectas 2000, S.A.U. (*)	1999	Indefinite	Burgos (Spain)	Operation of a slaughterhouse and production of meat products.	100.00	100.00	-	-
Gecalial, S.L.U.	1984	Indefinite	Madrid (Spain)	Activities related to marketing, sale, manufacture, processing and industrialization of livestock farming and meat products.	100.00	100.00	-	-
Campofrío Food Group Holding, S.L.	2006	Indefinite	Madrid (Spain)	Holding company	100.00	-	-	-
Campofrío Food Group Holding, S.L. Headquarters	2006	Indefinite	Paris (France)	Holding company	-	-	100.00	-
Campofrío Food Group Deutschland GMBH	1994	Indefinite	ESSEN (Germany)	Sales of processed meat products.	-	-	100.00	-
Campofrío Food Group Belgium BVBA	2006	Indefinite	Lovendegem (Belgium)	Holding company	-	-	100.00	-
Imperial Meat Products, VOF	1994	Indefinite	Lovendegem (Belgium)	Sale and production of processed meat products	-	-	100.00	-
Imperial Coordination Center BVBA	1998	Indefinite	Lovendegem (Belgium)	Coordination center	-	-	100.00	-
Groupe Smithfield Netherlands Holding B.V.	1999	Indefinite	Amsterdam (Netherlands)	Holding company	-	-	100.00	-
Campofrío Food Group Netherlands B.V.	1949	Indefinite	JD Hoofddorp (The Netherlands)	Holding company	-	-	100.00	-
Stegeman CV	2000	Indefinite	Deventer (The Netherlands)	Sale and production of processed meat products	-	-	100.00	-
Inter Food Services, Ltd.	1998	Indefinite	Kings Hill West Malling Kent (United Kingdom)	Dormant	-	-	100.00	-

Este anexo forma parte integrante de las notas 1 y 2 de la memoria consolidada junto con las cuales debe ser leído.

(*) Sociedad auditada por Ernst & Young en 2007
Note: All entities are not audited in 2008

CAMPOFRÍO FOOD GROUP, S.A.
(FORMERLY CAMPOFRÍO ALIMENTACIÓN, S.A.) AND SUBSIDIARIES
Breakdown of Group companies
December 31, 2008 and 2007

Company	Year of incorporation	Duration	Registered address	Principal activity	Percentage ownership			
					Direct		Indirect	
					2008	2007	2008	2007
Tarvalon USA	2007	Indefinite	Wilmington (United States of America)	Management	-	-	100.00	-
Campofrio Food Group France Holding, SAS	1998	Indefinite	Priest (France)	Holding company	-	-	100.00	-
Aoste Belgique S.p.r.l.	1990	Indefinite	Brussels (Belgium)	Modern distribution sales and wholesale channel	-	-	100.00	-
Aoste Espana S.A.	1989	Indefinite	Santa Perpetua (Spain)	Modern distribution sales and wholesale channel	-	-	100.00	-
Aoste Food Service S.A.S.U.	1984	Indefinite	Priest (France)	Sales to restaurant markets	-	-	100.00	-
Aoste Libre Service Pretranche SNC	1992	Indefinite	Priest (France)	Production of sliced products for a modern distribution channel	-	-	100.00	-
Aoste Management SASU	1995	Indefinite	Priest (France)	Management	-	-	100.00	-
Euragral B.V.	1991	Indefinite	Utreda (The Netherlands)	Holding company	-	-	100.00	-
Al Ponte Proscutti SRL	1986	Indefinite	Lesignano de Bagni Parma (Italy)	Cured ham and cold cuts production	-	-	100.00	-
Aoste Export SNC	1994	Indefinite	Aoste (France)	Exports	-	-	100.00	-
Aoste SNC	1992	Indefinite	Aoste (France)	Cured ham production and sales	-	-	100.00	-
Aoste Filiale Suisse SARL	2007	Indefinite	Geneva (Switzerland)	Sales of meat products.	-	-	100.00	-
Jean Caby SAS	2001	Indefinite	Lanavisisian (France)	Production and sales of pre-cooked and cured products	-	-	100.00	-
Dispranor SARL	1992	Indefinite	St André lez Lille (France)	Sale of various meat products to traditional markets / Leasing business	-	-	100.00	-
SEC SNC	1996	Indefinite	Priest (France)	Management of cured sausage plant and equipment / Sales through modern distribution channels	-	-	100.00	-
JB2C SASU	1994	Indefinite	Yssingeaux (France)	Cured products production and sales	-	-	100.00	-
G-SEC GIE	1998	Indefinite	Symphorien sur Coise (France)	Economic interest group	-	-	100.00	-
SFD Foods SGPS Sociedade Unipessoal LDA	2002	Indefinite	Rio Maior (Portugal)	Holding company	-	-	100.00	-
Industrias de Carnes Nobre S.A.	1962	Indefinite	Lisbon (Portugal)	Meat products production and sales	-	-	100.00	-

CAMPOFRÍO FOOD GROUP, S.A.
(FORMERLY CAMPOFRÍO ALIMENTACIÓN, S.A.) AND SUBSIDIARIES
Breakdown of Group companies
at December 31, 2008 and 2007

Company	Year of incorporation	Duration	Registered address	Principal activity	Percentage ownership			
					Direct		Indirect	
					2008	2007	2008	2007
Consolidated under the equity method								
Navidul Cogeneración, S.A. (*)	1997	Indefinite	Madrid (Spain)	Implementation and operation of equipment and installations for the development of energy-related technologies.	35.00	35.00	-	-
Cogeneradora Burgalesa, S.L.	1996	Indefinite	Burgos (Spain)	Operation of a thermoelectric plant to optimize electricity consumption for industrial and services sector use.	50.00	50.00	-	-

CAMPOFRÍO FOOD GROUP, S.A.
(FORMERLY CAMPOFRÍO ALIMENTACIÓN, S.A.) AND SUBSIDIARIES

Breakdowns of movement in property, plant and equipment
for the years ended
December 31, 2008 and 2007

(Thousands of euros)

	12/31/06	Additions	Disposals	Transfers	Discontinued operations	Other movements (i)	12/31/2007	Business Combination (note 7)	Additions	Disposals	Transfers	Removed from consolidation (Note 15)	Other movements (i)	12/31/2008
Restated cost														
Land and buildings	218,838	1,074	(205)	12,627	(4,196)	(2,094)	226,044	176,300	1,544	(4)	6,899	(36,056)	(1,345)	373,382
Plant and machinery	303,469	6,011	(4,127)	(1,931)	-	(1,454)	301,968	121,801	8,333	(1,132)	24,177	(21,336)	(1,454)	432,357
Other installations, tools and furniture	59,523	3,194	(572)	14,720	-	(200)	76,665	-	5,345	(149)	1,278	(4,475)	(174)	78,490
Other	25,984	1,423	(742)	338	-	(297)	26,706	2,051	1,568	(376)	85	(3,450)	(337)	26,247
Assets under Royal Decree 2/85	53	-	-	-	-	-	53	-	-	-	-	-	-	53
Prepayments and work in progress	14,383	17,981	(284)	(25,830)	-	(238)	6,012	7,344	32,635	(209)	(33,635)	(4,259)	(164)	7,724
	622,250	29,683	(5,930)	(76)	(4,196)	(4,283)	637,448	307,496	49,425	(1,870)	(1,196)	(69,576)	(3,474)	918,253
Accumulated revalued depreciation														
Buildings	(49,964)	(4,547)	35	-	2,287	605	(51,584)	-	(4,343)	3	-	8,247	636	(47,041)
Plant andmachinery	(179,000)	(16,165)	3,387	72	-	831	(190,875)	-	(15,647)	1,197	136	12,657	773	(191,759)
Other installations, tools and furniture	(41,094)	(5,075)	467	-	-	107	(45,595)	-	(4,803)	93	-	2,551	114	(47,640)
Other	(18,590)	(2,521)	727	-	-	170	(20,214)	-	(2,008)	137	-	2,948	247	(18,890)
Assets under Royal Decree 2/85	(53)	-	-	-	-	-	(53)	-	-	-	-	-	-	(53)
	(288,701)	(26,308)	4,616	72	2,287	1,713	(308,321)	-	(26,801)	1,430	136	26,403	1,770	(305,383)
Provisions	-	-	-	-	-	-	-	-	(3,100)	-	-	-	-	(3,100)
	333,549	1,375	(1,314)	(4)	(1,909)	(2,570)	329,127	307,496	19,524	(440)	(1,060)	(43,173)	(1,704)	609,770

(i) The balances shown in this column mainly reflect the impact of translation differences related to foreign companies.

This appendix forms an integral part of Note 6 of the notes to the consolidated annual accounts and should be read together with it.

CAMPOFRÍO FOOD GROUP, S.A.
(FORMERLY CAMPOFRÍO ALIMENTACIÓN, S.A.) AND SUBSIDIARIES

Breakdown of movements in other intangible assets
for the years ended
December 31, 2008 and 2007

(Thousands of euros)

	12/31/06	Additions	Disposals	Translation differences	Transfers	12/31/07	Business Combination (note 7)	Additions	Disposals	Discontinued operations (Note 15)	Translation differences	12/31/08
Cost												
Development expenses	1,829	-	(809)	(8)	-	1,012	-	-	-	(1)	-	1,011
Patents and licenses	5,414	85	(14)	(81)	2	5,406	171,054	105	66	(2,170)	(8)	174,453
Software	34,127	2,137	(105)	(131)	332	36,360	1,812	781	1,216	(2,491)	(113)	37,565
Work in progress	1,135	210	-	(4)	(512)	829	-	629	(1,216)	(17)	(22)	203
Lease premiums	224	-	-	-	2	226	-	114	(66)	(178)	(4)	92
Other	1,882	-	-	-	-	1,882	-	-	-	-	(47)	1,835
	44,611	2,432	(928)	(224)	(176)	45,715	172,866	1,629	-	(4,857)	(194)	215,159
Accumulated amortization												
Development expenses	(1,027)	(428)	809	20	-	(626)	-	(159)	-	1	-	(784)
Patents and licenses	(1,333)	(465)	14	23	-	(1,761)	-	(212)	-	-	(1)	(1,974)
Software	(28,329)	(2,701)	103	65	180	(30,682)	-	(2,313)	-	1,026	91	(31,878)
Other	(1,394)	(41)	-	-	-	(1,435)	-	(194)	-	919	22	(688)
	(32,083)	(3,635)	926	108	180	(34,504)	-	(2,878)	-	1,946	112	(35,324)
	12,528	(1,203)	(2)	(116)	4	11,211	172,866	(1,249)	-	(2,911)	(82)	179,835

This appendix forms an integral part of Note 8 of the notes to the consolidated annual accounts and should be read together with it.

CAMPOFRÍO FOOD GROUP, S.A.
(FORMERLY CAMPOFRÍO ALIMENTACIÓN, S.A.) AND SUBSIDIARIES

Breakdown of movements in other non-current financial assets for the years ended December 31, 2008 and 2007

(Thousands of euros)

	12/31/06	Additions	Disposals	Transfers and other movements	12/31/07	Business Combination (note 7)	Additions	Disposals	Transfers and other movements	12/31/08
Investment held to maturity										
Campoimport, S.L.	87	-	-	-	87	-	-	-	-	87
Frigotrans, Lda.	327	-	(327)	-	-	-	-	-	-	-
Toreador, S.L.	19	-	-	-	19	-	-	-	-	19
Grupo Navidul Portugal Lda.	819	-	-	-	819	-	-	-	-	819
Navidul Argentina, S.A.	1,231	-	-	-	1,231	-	-	-	-	1,231
NBF Brasil, Ltda..	228	-	-	-	228	-	-	-	-	228
Larrabezúa Inmobiliaria , S.L.	4	-	-	-	4	-	-	-	-	4
Corporación Empresarial	585	46	-	-	631	-	-	-	-	631
Sodical, S.A.	300	-	-	-	300	-	-	-	-	300
Roscamimpex	35	-	-	-	35	-	-	-	-	35
Auxiliar de Cobros, S.A.	6	-	-	-	6	-	-	-	-	6
Dibaq Nutripet, S.L.	540	-	(540)	-	-	-	-	-	-	-
Calidalia, S.A.	40	-	-	-	40	-	-	-	-	40
Back 2 Basic, S.L.	308	-	-	-	308	-	-	-	-	308
Fleury Michon Especialitées d´Europe	198	-	-	-	198	-	-	-	-	198
Other	2,668	182	(250)	-	2,600	59	490	(456)	(919)	1,774
Navidul Especialidades Europeas, S.A.	194	-	-	-	194	-	-	-	-	194
	7,589	228	(1,117)	-	6,700	59	490	(456)	(919)	5,874
Other loans	19,944	630	(9,447)	(113)	11,014	1,516	-	(243)	(481)	11,806
Held-to-maturity investments	295	10	(12)	-	293	304	35	(10)	-	622
	27,828	868	(10,576)	(113)	18,007	1,879	525	(709)	(1,400)	18,302
Provisions	(4,334)	(8,017)	690	-	(11,661)	-	-	-	-	(11,661)
	23,494	(7,149)	(9,886)	(113)	6,346	1,879	525	(709)	(1,400)	6,641

This appendix forms an integral part of Note 9 of the notes to the consolidated annual accounts and should be read together with it.

CAMPOFRÍO FOOD GROUP, S.A.
(FORMERLY CAMPOFRÍO ALIMENTACIÓN, S.A.) AND SUBSIDIARIES

Breakdowns of movement in investments
accounted for under the equity method
for the years ended
December 31, 2008 and 2007

(Thousands of euros)

	Navidul Cogeneracion,S.A.	Cogeneradora Burgalesa S.L.	Total
Balances at December 31, 2006	261	267	528
Share in:			
Results	(376)	(99)	(475)
Balances at December 31, 2007	(115)	168	53
Share in:			
Results	(50)	(152)	(202)
Transfer of provisions	165	-	165
Balances at December 31, 2008	-	16	16

This appendix forms an integral part of Note 10 of the notes to the consolidated annual accounts and should be read together with it.

CAMPOFRÍO FOOD GROUP, S.A.
(FORMERLY CAMPOFRÍO ALIMENTACIÓN, S.A.) AND SUBSIDIARIES

Breakdown of minority interests
and contribution to consolidated results
at December 31, 2008

(Thousands of euros)

Company	Percentage ownership	Capital	Reserves	Total	Translation differences	Benefits (loss) for the year	Share of minority interests in: Capital and reserves	Share of minority interests in: Translation differences	Share of minority interests in: Profit (loss) for the year	Contribution to: Reserves in consolidated companies for continuing operations	Contribution to: Translation differences	Contribution to: Profit (loss)
Fully consolidated												
Valpro Alimentación S.A.U.	100%	12,020	13,122	25,142	-	1,700	-	-	-	4,208	-	1,700
La Montanera, S.A.U.	100%	902	5,742	6,644	-	(626)	-	-	-	1,972	-	(626)
Campofrío Food Group Holding, S.L and subsidiaries	100%	37,503	247,919	285,422	-	-	-	-	-	-	-	-
Campofrío Portugal, S.A.	100%	5,000	(2,329)	2,671	-	(5,385)	-	-	-	(37,604)	-	(5,385)
SC Tabco Campofrío, S.A.	97,92%	12,152	2,502	14,654	(1,000)	871	304	(21)	18	7,689	(1,015)	853
Tenki International Holding B.V.	100%	2,721	(3,478)	(757)	-	(57)	-	-	-	(12,436)	-	(57)
Gecalial, S.L.U.	100%	41,316	(12,558)	28,758	-	597	-	-	-	(1,860)	-	597
Campofrío Internacional Finance S.A.R.L	100%	12	22	34	-	102	-	-	-	22	-	102
Jamones Burgaleses, S.A.	40%	8,665	270	8,935	-	598	5,361	-	359	93	-	239
Navidul Extremadura, S.A.	77,48%	13,626	3,334	16,960	-	556	3,652	-	292	1,484	-	264
Degaro, S.R.L.	100%	1,000	(372)	628	(132)	(330)	-	-	-	(852)	(132)	(330)
Carnes Selectas 2000, S.A.U.	100%	17,841	20,910	38,751	-	1,095	-	-	-	998	-	1,095
Total Meat Marketing, S.L.	100%	100	(404)	(304)	307	(840)	-	-	-	(403)	307	(840)
		152,858	274,680	427,538	(825)	(1,719)	9,317	(21)	669	(36,689)	(840)	(2,388)
Consolidated under the equity method												
Navidul Cogeneración, S.A.	35%	1,923	(1,579)	344	-	(143)	-	-	-	(737)	-	(50)
Cogeneradora Burgalesa, S.L.(*)	50%	30	(166)	(136)	-	(304)	-	-	-	(81)	-	(152)
		1,953	(1,745)	208	-	(447)	-	-	-	(818)	-	(202)
		154,811	272,935	427,746	(825)	(2,166)	9,317	(21)	669	(37,507)	(840)	(2,590)

This appendix forms an integral part of Note 16 of the notes to the consolidated annual accounts and should be read together with it.

Unaudited

CAMPOFRÍO FOOD GROUP, S.A.
(FORMERLY CAMPOFRÍO ALIMENTACIÓN, S.A.) AND SUBSIDIARIES

Breakdown of minority interests
and contribution to consolidated results
at December 31, 2007

(Figures in thousands of euros)

							Share of minority interests in:			Contribution to		
Company	Percentage ownership	Capital	Reserves	Total	Translation differences	Benefits (loss) for the year	Capital and reserves	Translation differences	Profit (loss) for the year	Reserves in consolidated companies for continuing operations	Translation differences	Profit (loss)
Fully consolidated												
Valpro Alimentación S.A.U.	100%	12,020	12,371	24,391	-	751	-	-	-	3,457	-	751
La Montanera, S.A.U.	100%	902	5,586	6,488	-	156	-	-	-	1,816	-	156
Campofrío Montagne Noire, S.A. and subsidiaries	100%	-	-	-	-	(352)	-	-	-	-	-	(352)
CampoMos and subsidiaries	100%	27,453	14,144	41,597	(4,044)	(12,669)	-	-	-	(5,052)	1,109	(12,669)
Campofrío Portugal, S.A.	100%	5,000	(3,132)	1,868	-	803	-	-	-	(38,407)	-	803
SC Tabco Campofrío, S.A.	97,92%	12,152	(362)	11,790	634	2,864	245	12	59	4,885	621	2,804
Tenki International Holding B.V. (*)	100%	2,721	(3,428)	(707)	-	(50)	-	-	-	(12,386)	-	(50)
Gecalial, S.L.U	100%	41,316	(8,504)	32,812	-	(4,054)	-	-	-	2,194	-	(4,054)
Campofrío Internacional Finance S.A.R.L (*)	100%	12	38	50	-	44	-	-	-	38	-	44
Jamones Burgaleses, S.A.	40%	8,665	211	8,876	-	547	5,326	-	328	70	-	219
Navidul Extremadura, S.A.	47,48%	13,626	2,834	16,460	-	500	8,645	-	263	1,245	-	238
Degaro, S.R.L.	100%	1,000	(146)	854	(18)	(226)	-	-	-	(626)	(97)	(226)
Carnes Selectas 2000, S.A.U.	100%	17,841	19,912	37,753	-	998	-	-	-	-	-	998
Total Meat Marketing S.L. (*)	100%	100	167	267	45	(571)	-	-	-	168	49	(571)
		142,808	39,691	182,499	(3,383)	(11,259)	14,216	12	650	(42,598)	1,682	(11,909)
Consolidated under the equity method												
Navidul Cogeneración, S.A.	35%	1,923	(504)	1,419	-	(1,075)	-	-	-	(361)	-	(376)
Cogeneradora Burgalesa, S.L.(*)	50%	30	30	60	-	(196)	-	-	-	17	-	(99)
		1,953	(474)	1,479	-	(1,271)	-	-	-	(344)	-	(475)
		144,761	39,217	183,978	(3,383)	(12,530)	14,216	12	650	(42,942)	1,682	(12,384)

This appendix forms an integral part of Note 16 of the notes to the consolidated annual accounts and should be read together with it.

(*) Unaudited

CAMPOFRÍO FOOD GROUP, S.A. (FORMERLY CAMPOFRÍO ALIMENTACIÓN, S.A.) AND SUBSIDIARIES

Movement in minority interests
for the years ended
December 31, 2008 and 2007

(Thousands of euros)

	Navidul Extremadura, S.A.	Jamones Buragleses, S.A.	Campofrío Montagne Noire, S.A.	SC Tabco Campofrío, S.A.	Total
Balances at 12/31/2006	8,645	5,586	1,878	344	16,453
Share in					
Results	263	328	-	59	650
Translation differences	-	-	-	(26)	(26)
Other movements	-	(260)	-	(61)	(321)
Acquisition of minority interests	-	-	(1,878)	-	(1,878)
Balances at 12/31/2007	8,908	5,654	-	316	14,878
Share in					
Results	292	359	-	18	669
Translation differences	-	-	-	(33)	(33)
Other movements	-	(293)	-	-	(293)
Acquisition of minority interests	(5,256)	-	-	-	(5,256)
Balances at 12/31/2008	3,944	5,720	-	301	9,965

This appendix forms an integral part of Note 16 of the notes to the consolidated annual accounts and should be read together with it.

CAMPOFRÍO FOOD GROUP, S.A. (FORMERLY CAMPOFRÍO ALIMENTACIÓN, S.A.) AND SUBSIDIARIES

Breakdowns of movement in Non-current and
current provisions
at December 31, 2008 and 2007

(Thousands of euros)

	12/31/06	Increases	Decreases	Transfer	12/31/07	Business Combination (note 7)	Increases	Decreases	Transfer	12/31/08
Non-current										
Commitments with employees	1,430	-	(101)	-	1,329	-	-	(108)	-	1,221
Pension obligations						20,842	-	-	-	20,842
Non-current financial assets	1,901	-	-	(1,573)	328	-	-	(325)	165	168
Taxes	8,136	-	-	-	8,136	1,900	4,300	-	-	14,336
Commitment for sale of fixed assets	4,881	-	(4,862)	-	19	-	-	-	-	19
Other commitments	1,252	-	-	-	1,252	-	2,000	(1,252)	-	2,000
Other	15,077	113	(12,678)	-	2,512	329	-	(2,312)	-	529
	32,677	113	(17,641)	(1,573)	13,576	23,071	6,300	(3,997)	165	39,115
Current										
Other	11	-	-	132	143	2,806	69	(96)	-	2,922
Reestucturing						20,977	-	-	-	20,977
	11	-	-	132	143	23,783	69	(96)	165	23,899

This appendix forms an integral part of Note 21 of the notes to the consolidated annual accounts and should be read together with it.

CAMPOFRÍO FOOD GROUP, S.A.
(FORMERLY CAMPOFRÍO ALIMENTACIÓN, S.A.) AND SUBSIDIARIES

2008 Consolidated Management Report

CAMPOFRÍO FOOD GROUP, S.A.
(FORMERLY CAMPOFRÍO ALIMENTACIÓN, S.A.) AND SUBSIDIARIES

2008 Consolidated Management Report

In accordance with the provisions of article 171 of Spanish Corporation Law, as amended, the most relevant facts related to business activity for Campofrío Food Group, S.A. and subsidiaries (the Campofrío Group) for 2008 are indicated below.

This Consolidated Management Report complements the economic and financial information provided by the Group, which is expanded on in the Notes to the Consolidated Financial Statements.

In addition to this report, the annual report is published prior to holding the General Shareholders Meeting to approve the consolidated financial statements for 2008. This report describes the key events in the development of the Group during the year and presents a summary of the financial information compared to previous years.

Following the guidelines of the Unified Code of Good Corporate Governance, the Financial System Reform Law, and the Freedom of Information Law, Campofrío will post its annual report on its Web page at www.campofriofoodgroup.es as it has done in past years, thereby meeting the aims of transparency and dissemination recommended by those three documents.

1. Business performance and operations of Campofrío Food Group, S.A. and subsidiaries

Campofrío Food Group reached a consolidated turnover of 922 million euros in 2008, 3% higher than 2007, confirming the strength of the Group's brands with an historical 71% level of brand awareness, highlighting the fact that 2008 has been a year characterised by a higher consumption of private label.

In 2008, the cost rise of the raw material, which were setting record levels from January thru October period, particularly affected the Group's EBITDA amounted to 76 million euros. Now raw materials market prices seem to be lower and steady. Overall, 2008 Net Income reached -5.2 million euros, including the impact of the -18.6 million euros from the sale of the Russian subsidiary Campomos and its accumulated results until June.

During these 12 months, the key event was effectively the successful completion of the merger completed last December with Groupe Smithfield, creating Campofrío Food Group, the leading meat processing company in Europe and allowing for significant synergies right from the beginning, which will amount to 40 million Euros recurrent as of 2012.

The economic indicators mentioned above (EBITDA and Net income) relating to the 2008 financial year do not represent the capacity of the Group to generate future cash, which is significantly bigger, taking into account the future synergies derived from the merger, as well as the divestiture of our Russian subsidiary mentioned above.

The results of Campofrio Food Group relating to 2008 do not include the results generated by the merger with Groupe Smithfield Holdings, as it became effective on 30 December 2008. Therefore the results generated by Groupe Smithfield Holdings will be integrated in the consolidated results of the Group as from January 1, 2009.

2. Events subsequent to December 31, 2008

No significant events have occurred subsequent to December 31, 2008.

3. Number of employees

In 2008, Campofrío Food Group, S.A. and its fully consolidated subsidiaries had an average of 5,187 employees (5,198 in 2007). The breakdown by professional category is the following:

Professional category	No. of employees	
	2008	2007
Directors, engineers and technical staff	569	469
Administrative staff	423	393
Production staff	3,252	3,338
Sales and distribution staff	943	998
	5,187	5,198

At December 31, 2008, the breakdown of Campofrío Group' staff by gender was as follows:

	Men	Women	Total
Senior executives	13	1	14
Directors, engineers and technical staff	646	202	848
Administrative staff	224	322	546
Production staff	5,285	2,701	7,986
Sales and distribution staff	800	387	1,187
	6,968	3,613	10,581

At December 31, 2007, the breakdown of Campofrío Group staff by gender was as follows:

	Men	Women	Total
Senior executives	6	-	6
Directors, engineers and technical staff	329	134	463
Administrative staff	250	146	396
Production staff	2,421	847	3,268
Sales and distribution staff	514	436	950
	3,520	1,563	5,083

4. Research and developments activities

The Company enhanced its leadership in 2008 in key innovation categories, capitalizing on the three main consumer trends: an emphasis on health, convenience and flavor. The Company sold healthier products such as low sodium cooked ham, and developed several packaging formats to better suit customer convenience. In addition, new products were launched, including a new line of products aimed at immigrant populations, as well as salads and spreadables, designed to meet other needs.

Campofrío has developed its R&D projects to attain recognition as one of the most innovating companies, both in terms of consumer perception and advertising. Today, the Company may have the satisfaction of knowing it has reached historic records of spontaneous brand recognition (71%).

5. Acquisition of treasury shares

At the General Shareholders' Meeting of June 17, 2008, the shareholders approved several motions which included authorizing the Company or its subsidiaries to acquire, during an 18-month period, shares of Campofrío Food Group, S.A. for treasury shares representing up to 5% of the share capital at a price no greater than 5% of the share price.

At December 31, 2008, the Group had 829,236 of own equity instruments of the parent company, equivalent to 0.81% of share capital.

In 2008, the Company bought and sold treasury shares amounting to 14,393 and 2,808 thousand euros, respectively.

6. Risk management policy

a) Risk management policy

The Group's business activities and transactions expose it to foreign currency, interest rate and other risks, which are managed by head office.

The Group's transactions are exposed to different basic financial risks:

1. - Credit risk

Credit risk exists when a potential loss may arise from the Group's counterparty not meeting its contractual obligations, i.e. the possibility that financial assets will not be recovered at their carrying amount within the established timeframe.

The main financial assets which expose the Group to credit risk are included in "Non-current financial assets" (Note 9), "Trade and other receivables" (Note 12) and other short-term balances at financial institutions classified as "Cash and cash equivalents" (Note 14) in the consolidated balance sheet.

For the purposes of credit risk management the Group differentiates between financial assets arising from operations and investments.

Operating activities

The amounts reflected in the consolidated balance sheet, net of estimated impairment losses, correspond to the Group's maximum exposure to credit risk. They represent, therefore, the Group's exposure to the possibility of counterparties failing to fulfill their obligations.

Balances with financial institutions relate to short-term deposits held at national banks with credit ratings which represent maximum levels of solvency.

The Group's credit risk is not particularly concentrated; its exposure is spread among a large number of counterparties and customers.

See Note 12.C for impairment losses on financial assets recognized in 2008.

Investing activities

The Group's investment policies establish that the Treasury Department can make investments per the following guidelines:

- Investments must be made through highly solvent Spanish and international financial institutions with no less than an A- credit rating according to Standard & Poor's and Fitch's ratings, or the equivalent A3 according to Moody's rating. The Group periodically reviews these institutions' credit ratings and transactions with institutions having less than an A- rating are not renewed. Consequently, investments maturing within less than one month are canceled and those maturing over more than one month are sold in a maximum period of seven days.

- Acceptable investment products include bank deposits, repos, promissory notes issued by highly solvent financial institutions, interest-bearing accounts and other similar financial products. Investment in speculative financial products or those in which the counterparty is not clearly and explicitly identified are expressly prohibited.

- Investments should be diversified to ensure that the risk is not particularly concentrated in any one institution.

- Investments are made in liquid assets with an original maturity of less than three months, or with a repurchase commitment, or on a secondary market which guarantees their immediate convertibility to cash if necessary.

- The parent company's policy for delegating powers establishes the parameters for the use of joint and several signatures based on amount.

2.- Market risk

Market risk exists when a potential loss may arise from fluctuations in the fair value or future cash flows of a financial instrument due to changes in market prices.

Cash flow risk

At December 31, 2008, the Group had floating rate borrowings in euros (Note 18) indexed to the Euribor rate. These floating rates are revised at least quarterly. At December 31, 2008, the balance drawn down amounted to 226,511 thousand euros. 200,000 thousand euros of this amount were hedged with interest rate derivatives, thus interest paid is at a fixed rate, therefore on this portion there is no cash flow risk deriving from the euro interest rate. For the remaining 26,511 thousand euros it is not the same case; assuming that at December 31, 2008 the balance drawn down remained the same, a variation of 1% in the corresponding Euribor, would lead to an annual increase or decrease in finance costs of 2,651 thousand euros.

As a result of the dollar-denominated bond issue carried out by one of the Group companies in 2003 (see Note 17), the Group has fixed-rate financing in dollars that it "hedged" (see Note 17) in order to "convert it" into euros. A large part of this debt (approximately 60%) was converted into euros at fixed rates. Consequently, there is no cash flow risk related to euro interest rates or the dollar/euro exchange rate. This is not the case with the portion of borrowings –a nominal amount of 109,728 thousand euros- converted to floating rates in euros indexed to the six-month Euribor rate. In addition, to minimize the impact of interest-rate volatility on cash flows, in 2007 the Group entered into financial instruments for a notional amount of 70,000 thousand euros. The interest rate is revised in February and August of each year.

These financial instruments are entered into with highly solvent financial institutions.

Fair value risk

The fair value of the dollar-denominated issue is, however, exposed to interest rate risk. In this case, the risk relates to the impact of movements in the dollar yield curve on the loan associated with the dollar value of the bonds issued.

However, as the Group has entered into hedges for the loan associated with this issue, there is no impact on profit or loss given the nature of the hedges. As they are either cash flow hedges (exchange rates) or fair value hedges (dollar interest and exchange rates), they are deemed to be effective. Therefore, any change in the derivatives' value is taken to equity (cash flow hedge relationship) or offset in the income statement with the loan associated with the bond (fair value hedging relationship).

Finally, the sensitivity analysis at December 31, 2008 of the change in the main variables on both the bond and the different financial instruments arranged to hedge the risk associated with the former is as follows:

Sensitivity analysis: EUR interest rate				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousands of euros			
	Fair value	Effect		
Derivatives	(65,150)	4,158	7,762	(8,627)
Bond	(245,719)	-	-	-

Sensitivity analysis: USD interest rate				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousands of euros			
	Fair value	Effect		
Derivatives	(65,150)	(3,863)	(7,631)	8,021
Bond	(245,719)	3,863	7,631	(8,021)

Sensitivity analysis: Exchange rate			
		% change	
		10%	-10.00%
	Thousands of euros		
	Fair value	Effect	
Derivatives	(65,150)	(22,338)	27,302
Bond	(245,719)	22,338	(27,302)

In addition, the effects described above impact on the income statement and equity as follows:

Sensitivity analysis: EUR interest rate – Impact on the income statement				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousands of euros			
	Fair value	Effect		
Bond 3	(101,897)	-	-	-
CCS 3	(18,527)	162	322	(329)
IRS 3	(6,418)	2,060	4,068	(4,280)
IRS Cancellation	201	(1,997)	(3,944)	4,151
KIKO Collar	(3,759)	1,505	2,517	(3,133)

Sensitivity analysis: USD interest rate – Impact on the income statement				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousands of euros			
	Fair value	Effect		
Bond 3	(101,897)	1,877	3,708	(3,897)
CCS 3	(18,527)	(1,877)	(3,708)	3,897
IRS 3	(6,418)	-	-	-
IRS Cancellation	201	-	-	-
KIKO Collar	(3,759)	-	-	-

Sensitivity analysis: Exchange rate – Impact on the income statement			
		% change in EUR	
		10%	-10.00%
	Thousands of euros		
	Fair value	Effect	
Bonds 1, 2 and 4	(143,822)	13,363	(16,333)
CCS 1, 2 and 4	(30,156)	(13,363)	16,333
Bond 3	(101,897)	9,520	(11,635)
CCS 3	(18,527)	(9,520)	11,635

Sensitivity analysis: EUR interest rate – Impact on equity				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousands of euros			
	Fair value	Effect		
CCS 1, 2 and 4	(30,156)	204	406	(414)
IRS 1, 2 and 4	(6,491)	2,225	4,394	(4,623)

Sensitivity analysis: USD interest rate – Impact on equity				
		% change in EUR		
		0.50%	1.00%	-1.00%
	Thousands of euros			
	Fair value	Effect		
CCS 1, 2 and 3	(30,156)	(2,016)	(3,982)	4,185
IRS 1, 2 and 4	(6,491)	-	-	-

Effective interest rate on borrowings

During 2008, The effective interest rate on the fixed-rate financial liabilities (the dollar-denominated bond issue, see Note 17) is the same as the coupon rates of bonds issued (between 5.41% and 6.34% in US dollars).

However, as hedges were used to "convert" the dollar-denominated borrowings (Note 26) into euros, from a financial standpoint the final effective interest rate changes from fixed to floating because of the derivatives (between 5.94 % and 6.51% for the IRS or the floating Euribor rate) in euros.

Exchange rate risk on current transactions.

The Group did not have significant exchange rate risk on current transactions in foreign currencies at December 31, 2008.

3. - Liquidity risk

Liquidity risk is the possibility that the Group will have insufficient funds or lack access to sufficient funds at an acceptable cost to meet its payment obligations at all times. The Group's objective is to maintain sufficient available funds. Group policies establish the minimum liquidity levels required at all times:

- Surplus cash may only be invested in certain types of assets (see credit risk – investing activities above) which guarantee convertibility to cash.
- Surplus cash is invested in short-term investments (one to three months) which guarantee that more than 60% mature within less than one month and/or can be readily converted to cash.
- The Group has renewable borrowing facilities for amounts that ensure its capacity to meet its operating needs as well as to finance short-term investment projects. At year end 2008 the Group had unused borrowing facilities amounting to 135,875 thousand euros.

b) Capital management policy

The primary objective of the Group's capital management policy is to safeguard its capacity to continue managing its on-going activities and continue growing through new projects, while maintaining an optimal debt to equity ratio to create value for its owners.

The Group finances growth through:

- Internally generated cash flows from ongoing business activities.
- A financial leverage rate which enables it to rely on the generation of cash flows as well as alternative financing methods which may be used at any time to meet its investment needs.

In this regard, the Group endeavors to maintain moderate indebtedness as its optimum indebtedness level.

7. Additional information pursuant to article 116 bis of the Securities Market Act.

a. Share capital amounts to ONE HUNDRED AND TWO MILLION, TWO HUNDRED AND TWENTY THOUSAND, EIGHT HUNDRED AND TWENTY THREE EUROS (102.220.823 euros), consisting of 102,220,823 fully subscribed and paid-in shares with a nominal value of €1 each, all of a single series. All the shares are of the same class, bear the same rights and obligations, and are represented by book entries. Each share confers the status of shareholder on its lawful owner, as well as the rights recognized in the Company's bylaws and Spanish law. Shareholders shall have at least the following rights:

a) To participate in the distribution of earnings and any assets if the Company were liquidated.

b) To exercise pre-emptive subscription rights in the issuance of new shares or convertible bonds.

c) To attend and vote at General Shareholders' Meetings and challenge the resolutions adopted.

d) To receive information.

The bylaws do not include any obligations other than the legal requirements relating to shareholder status.

Nonetheless, in respect of Smithfield Foods' shareholders (SDFS Global Holdings BV, Cold Field Investments LLC, Smithfield Insurance Company Ltd), in the public deed of December 17, 2008 (protocol number 1245) ratified before Ms. María Bescos, registered notary in Madrid, regarding the takeover of Groupe Smithfield Holding, S.L. by Campofrío Alimentacion S.A., specific obligations are established which include voting restrictions and limitations on directors' appointments and increases in shareholdings, as can been seen in the information on the company available at the CNMV (Spanish securities regulator), in the section on agreements between shareholders.

b. There are no legal or bylaw restrictions on the transfer of securities.

c. Significant direct and indirect shareholdings in the parent company at December 31, 2008 are as follows:

Name or company name of shareholder	No. of voting rights	No. of indirect voting rights (*)	% of total voting rights
SMITHFIELD FOODS INC	-	37,811,300	36.99 %
OCM OPPORTUNITIES FUND VI, LP	-	7,777,914	7.609 %
OCM EUROPEAN PRINCIPAL OPPORTUNITIES FUND LP	-	17,010,636	16.641 %
CARBAL SA	7,290,555	5,830,675	12.836 %
INMO 3 SL	144,600	4,029,824	4.084 %
CAJA DE AHORROS MUNICIPAL DE BURGOS	4,265,899	-	4.173 %

(*) Through:

Name or company name of direct owner of the shareholding	No. of voting rights	% of total voting rights
SMITHFIELD INSURANCE COMPANY LTD COLD FIELD INVESTMENTS LLC SDFS GLOBAL HOLDINGS BV	1,399,304 11,623,447 24,788,549	1.369 % 11.371 % 24.25 %
OCM LUXEMBOURG EPOF MEATS HOLDINGS SARL	17,010,636	16.641%
OCM LUXEMBOURG OPPS MEATS HOLDINGS SARL BITONCE SL CARTERA NUVALIA SL	7,777,914 5,830,675 4,029,824	7.609% 5.704 % 3.942 %

d. There are no further limitations on the exercise of voting rights other than those established in the shareholders' agreement referred to in a) above. However, investors must hold at least 10 shares, either individually or pooled, to be entitled to attend the General Shareholders' Meetings.

e. In 2008 the following shareholders' agreements were signed: The protocol of the merger between Campofrío Alimentacion S.A. and Groupe Smithfield Holding, S.L. and other shareholders, of June 30, 2008 and the two amendments to this, of September 18, 2008 and October 24, 2008, as well as the shareholders' agreement referred to in section a) above.

f. The Corporate bylaws (article 19) and the Regulations of the Board of Directors (articles 7 and 19, et. seq.) govern the appointment and replacement of board members. Proposals for the appointment, re-election or removal of directors which the board submits to the General Shareholder's Meeting have to be based on a proposal by the Appointment and Remunerations Committee for independent directors and upon a prior report from this Committee for all other directors. The non-executive, independent directors put forward for election by the Appointment and Remunerations Committee shall be based on the request of any of the directors from a list prepared by specialist advisors for this purpose. In addition, board vacancies shall be filled provisionally by the same board, subject to a proposal from the Appointment and Remuneration Committee, based on shareholders' nominations of people who should provisionally be a director of the board until a definitive resolution is passed at the first General Meeting held thereafter.

According to Article 23 of the Regulations of the Board of Directors, directors shall step down from the board when the term for which they were elected has expired and they have not been reappointed at the first General Shareholders' Meeting.

In addition, the shareholders at their General Meeting may remove directors from their post if there is a proposal from the board of directors, acting on the proposal of the Appointments and Remuneration Committee. In the case of proprietary or independent directors, such proposals must be accompanied by a report justifying the exceptional reasons that warrant or require their removal.

According to Article 23 of the Regulations of the Board of Directors and Article 19 bis of the company bylaws, directors shall stand down from the board upon expiry of the period for which they were elected when they have not been re-elected at the first General Shareholders' Meeting, or after the legal period for holding an Ordinary Shareholders' Meeting has elapsed, or in accordance with applicable legislation, as well as the following:

a) When they are removed from the executive posts related to their appointment as director.

b) When their circumstances render them incompatible or prohibited from serving on the board for one of the reasons specified under Spanish law.

c) When their presence on the Board jeopardizes the interests of the Company or when the reasons for which they were appointed cease to exist.

For modifications of the Company's bylaws, Article 15 of the bylaws requires in order for the General Shareholders Meeting to validate any agreement to issue debentures, increase or decrease capital, change, merge or spin-off the Company, and, generally, any modification of the bylaws, that at the first call shareholders must attend, directly or by proxy, that hold at least sixty-five percent of subscribed capital with voting rights. At second call, representation of fifty percent of this capital is sufficient.

The agreements referred to in the above paragraph require, whether at first or second call, that the majority of the capital with voting rights at the meeting, either in attendance or represented by proxy, votes in favor and that this majority represents at least 45% of subscribed capital with voting rights.

g. Under the Company's bylaws, the Board of Directors has the broadest powers to manage, represent and run the company. Representation includes all acts necessary to carry out the corporate purpose established in the bylaws. At present the Company has no Chief Executive post; however, there is a Group Managing Director or CEO with general powers to represent the Company, who can enter into any type of agreement and perform any acts of administration or disposal. In addition, the Chairman of the Board holds general powers granted in 1980. As for the authority to repurchase shares, in their General Meeting held on June 17, 2008, the shareholders unanimously agreed to authorize the parent company or its subsidiaries to buy treasury shares, subject to the following conditions:

    1. The acquisition price may not be more than 5% higher than the trading price on the date of acquisition, by purchase-sale or other, or than its prior close if the transaction is carried out on a day when the shares are not quoted. However, shares may be acquired at a different price within the framework of pre-existing agreements in which the price has been determined and may be determined.

    2. This authorization is valid for a period of up to 18 months from the date the resolution is adopted.

    3. The nominal value of the shares acquired, together with existing treasury shares held by the acquiring entity and its subsidiaries and, if appropriate, those held by the parent company and its subsidiaries, may not exceed 5% of share capital.

    4. All other stipulations of Article 75 of the Spanish Corporation Law must be met.

That purpose of the buyback may be, inter alia, delivery of the shares to employees and directors pursuant to share delivery plans, share options or share-based payment schemes agreed previously by the parent company's shareholders in general meeting or as a form of shareholder remuneration.

In addition, in relation to the authorization to issue shares, at the General Shareholders' Meeting of June 19, 2007, approval was given to grant the Board of Directors powers, for a period of five years, and under the terms of the Board report dated May 10, 2007, to increase share capital, once or several times, up to a nominal amount of 26,321,862 euros.

So authorized, the Board of Directors became empowered to increase the Company's share capital as and when deemed appropriate up to the aforementioned limit, without the need for additional shareholder approval and subject to the terms, limits and conditions provided for in article 153.1.b) of the Spanish Companies Act, and in particular the provisions set forth below:

a. The capital increase can be approved by the Board of Directors in a lump sum or in smaller amounts by issuing ordinary shares with a nominal value of one (1) euro each, recognized via the book-entry system, and bearing the same rights as the remaining outstanding ordinary shares. The Board is empowered to determine the date as of which the new shares are entitled to receive distributions of the Company's profits.

b. The new shares must be settled in cash.

c. For capital increases authorized via the exercise of these powers <u>with pre-emptive subscription rights</u>, the issue price shall be freely determined by the Board of Directors in reliance upon the power conferred on it to this end at the general meeting, with no limitations other than those set out in article 47.2 of the Spanish Corporation Law. In these instances, the Board may decide whether to allocate unsubscribed shares in application of pre-emptive subscription rights or declare incomplete subscription under the terms of article 161 of the Spanish Corporations Law.

d. For capital increases authorized via the exercise of these powers <u>suppressing pre-emptive subscription rights</u>, the new share issue price shall be freely determined by the Board of Directors, subject to the limitations and formalities set out in article 159.2 of the Spanish Corporation Law. In these instances, the Board of Directors can declare incomplete subscription, as set out in article 161 of the Spanish Corporation Law.

h. Prior to the merger, on February 20, 2003, the CAMPOFRÍO Group issued bonds with a face value of 294,000 dollars through its subsidiary CAMPOFRÍO INTERNATIONAL FINANCE S.À.R.L. Each series of bonds relating to this issue matures in 2010, 2013 and 2015. The CAMPOFRÍO Group must comply with certain ratios and other financial obligations which, in general, are calculated based on data included in the consolidated financial statements audited over the term of the bonds, up to their respective maturities.

Given that the merger between CAMPOFRÍO ALIMENTACIÓN and Groupe Smithfield Holding, S.L. could have caused the bond issue agreement to expire early, based on its original wording, on September 12, 2008, the agreement was redrawn up and authorization obtained from the bond holders, enabling the merger to be carried out under the terms of the initial merger agreement. According to said agreement, if within 18 months from the date the merger between CAMPOFRÍO ALIMENTACIÓN and Groupe Smithfield Holding S.L. became effective, the "Ballvé Family" (specified in said agreement to be Mr. Fernando Ballvé, Mr. Pedro Ballvé and any company they control) owned less than 10,100,000 of the Company's shares, each bond holder must be offered early redemption of his or her respective bonds, for an amount equivalent to the principal plus accrued interest for each bond up to that date. In any case, the Familia Ballvé has not assumed any obligation or commitment which could lead to a limitation or restriction relating to the disposal of the CAMPOFRÍO FOOD GROUP S.A. shares it owns, nor does it assume any responsibility in connection with any consequence that might arise from the above.

i. At year end, there were two contracts with senior managers providing for compensation if the employment relationship was terminated during a defined period.

8. Annual corporate governance report.

ANNUAL CORPORATE GOVERNANCE REPORT FORM FOR PUBLICLY LISTED COMPANIES

DATA IDENTIFYING THE ISSUER

FINANCIAL YEAR END: 12/31/2008
Tax ID number A-09000928
Business name: CAMPOFRÍO FOOD GROUP, S.A.

ANNUAL CORPORATE GOVERNANCE REPORT FORM FOR PUBLICLY LISTED COMPANIES

For a better understanding of this form and subsequent drafting of the report, please read the instructions attached for this purpose at the end of this report.

A OWNERSHIP STRUCTURE

A.1 Complete the following table in relation to the company's share capital:

Last date of modification	Share capital (€)	Number of shares	Number of voting rights
30/12/2008	102,220,823.00	102,220,823	102,220,823

Indicate whether there are different classes of shares with different rights attaching to them:

No

Class	Number of shares	Unit book value	Unit number of voting rights	Different rights

A.2 List the company's significant direct and indirect shareholders at year-end, excluding directors:

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
SMITHFIELD FOODS, INC	0	37,811,300	36.990
OCM EUROPEAN PRINCIPAL OPPORTUNITIES FUND, L.P.	0	17,010,636	16.641
CARBAL, S.A.	7,290,555	5,830,918	12.836
OCM OPPORTUNITIES FUND VI, L.P.	0	7,777,914	7.609
CAJA DE AHORROS MUNICIPAL DE BURGOS	4,265,899	0	4.173
INMO3, S.L.	144,600	4,029,824	4.084

Name or company name of the indirect shareholder	Held through: Name or company name of the direct shareholder	Number of direct voting rights	% of total voting rights
SMITHFIELD FOODS, INC.	SFDS GLOBAL HOLDINGS, B.V.	24,788,549	24.250
SMITHFIELD FOODS, INC.	COLD FIELD INVESTMENTS, LLC	11,623,447	11.371
SMITHFIELD FOODS, INC.	SMITHFIELD INSURANCE COMPANY LTD.	1,399,304	1.369
OCM EUROPEAN PRINCIPAL OPPORTUNITIES FUND, L.P.	OCM LUXEMBOURG EPOF MEATS HOLDINGS SARL	17,010,636	16.641
CARBAL, S.A.	BITONCE, S.L.	5,830,675	5.704
OCM OPPORTUNITIES FUND VI, L.P.	OCM LUXEMBOURG OPPS MEATS HOLDINGS SARL	7,777,914	7.609
INMO3, S.L.	CARTERA NUVALIA, S.L.	4,029,824	3.942

Indicate the most significant movements in the shareholder structure during the financial year:

Name or company name of shareholder	Transaction date	Transaction description
OCM EUROPEAN PRINCIPAL OPPORTUNITIES FUND, L.P.	30/12/2008	Increased stake to over 15%
OCM OPPORTUNITIES FUND VI, L.P.	30/12/2008	Increased stake to over 5%
OCM LUXEMBOURG OPPS MEATS HOLDINGS SARL	30/12/2008	Increased stake to over 5%
OCM LUXEMBOURG EPOF MEATS HOLDINGS SARL	30/12/2008	Increased stake to over 15%
GRUPO CORPORATIVO FUERTES S.L.	30/12/2008	Decreased stake to below 3%
COLD FIELD INVESTMENTS, LLC	30/12/2008	Decreased stake to below 15%
SFDS GLOBAL HOLDINGS, B.V.	30/12/2008	Increased stake to over 20%
QMC DEVELOPMENT CAPITAL FUND PLC	30/12/2008	Decreased stake to below 3%
SMITHFIELD FOODS, INC.	30/12/2008	Increased stake to over 35%
CARBAL, S.A.	30/12/2008	Decreased stake to below 15%
INMO3, S.L.	30/12/2008	Decreased stake to below 5%
CARTERA NUVALIA, S.L.	30/12/2008	Decreased stake to below 5%
BITONCE, S.L.	30/12/2008	Decreased stake to below 10%
CAJA DE AHORROS MUNICIPAL DE BURGOS	30/12/2008	Decreased stake to below 5%

A.3 Complete the following tables detailing the members of the board of directors who own voting shares in the company:

Name or company name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
PEDRO JOSE BALLVE LANTERO	15	119,757	0.117
JUAN JOSE GUIBELALDE IÑURRITEGUI	1,284	0	0.001
LUIS SERRANO MARTÍN	20	1,295,497	1.267

Name or company name of the indirect shareholder	Held through: Name or company name of the direct shareholder	Number of direct voting rights	% of total voting rights
PEDRO JOSE BALLVE LANTERO	BETONICA 95, S.L.	119,757	0.117
LUIS SERRANO MARTÍN	ALINA CORPORATE S.L.	1,295,497	1.267

% of total voting shares held by the Board of Directors	1.386

Complete the following table detailing the members of the board of directors who have Company share options:

A.4 Where applicable, list family, commercial, contractual or corporate relationships between significant shareholders, to the extent that the company is aware of them, unless they are negligible or derive from the company's ordinary course of business:

Type of relationship:
Family
Brief description:
CONTROLLED BY PEDRO JOSE AND FERNANDO BALLVE

Name or corporate name related party
CARBAL S.A.

Type of relationship:
Family
Brief description:
CONTROLLED BY THE DÍAZ DEL RIO BROTHERS AND LUIS SERRANO THROUGH OTHER COMPANIES

Name or corporate name related party
CARTERA NUVALIA S.L.
INMO 3 S.L.

A.5 Where applicable, list commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, unless they are negligible or derive from the company's ordinary course of business:

A.6 Indicate whether the company has been notified of any agreements between shareholders within the meaning of Article 112 of the Securities Market Act. If so, briefly describe the agreements and list the shareholders which are party to them:

Yes

% of share capital covered:
78.16

Brief description of agreement:
MERGER AGREEMENT BETWEEN CAMPOFRÍO ALIMENTACIÓN S.A. AND GROUPE SMITHFIELD SL AND OTHER ENTITIES, DATED 30 JUNE 2008, AS FIRST AMENDED ON 18 SEPTEMBER 2008 AND AS FURTHER AMENDED ON 24 OCTOBER 2008

Parties to shareholder agreement
OCM EUROPEAN PRINCIPAL OPPORTUNITIES FUND, L.P.
CAMPOFRÍO ALIMENTACIÓN S.A.
OCM LUXEMBOURG OPPS MEATS HOLDINGS SARL
OCM LUXEMBOURG EPOF MEATS HOLDINGS SARL
SFDS GLOBAL HOLDINGS, B.V.
SMITHFIELD FOODS, INC
CARBAL, S.A.
CARTERA NUVALIA, S.L.
BITONCE, S.L.
ALINA CORPORATE S.L.
BETONICA 95, S.L.
GROUPE SMITHFIELD HOLDINGS SL

% of share capital covered: 36.99

Brief description of agreement:
AGREEMENTS INCLUDED IN DEEDS NOTARISED ON 17 DECEMBER 2008, BEFORE NOTARY PUBLIC MARIA BESCOS, THEREBY GRANTED MERGER AGREEMENT NUMBER 1245, WHICH AGREEMENT INCLUDES VOTING RESTRICTIONS AND CERTAIN OBLIGATIONS OR LIMITATIONS IN RELATION TO THE APPOINTMENT OF DIRECTORS AND INCREASES IN SHAREHOLDINGS.

Parties to shareholder agreement
COLD FIELD INVESTMENTS, LLC
SFDS GLOBAL HOLDINGS, B.V.
SMITHFIELD FOODS, INC
CAMPOFRÍO FOOD GROUP, S.A.
SMITHFIELD INSURANCE COMPANY LTD.

Indicate whether the company is aware of any concerted actions among its shareholders. If so, briefly describe them:

No

Expressly indicate any change in, or break-up of, said concerted actions or agreements in the year.

A.7 Indicate whether any person or organization exercises or may exercise control over the company pursuant to Article 4 of the Securities Market Act. If so, identify it:

No

A.8 Complete the following table in relation to the company's treasury stock:

At year end:

Number of direct shares	Number of indirect shares (*)	% of total share capital
829,236	0	0.811

(*) Held through:

Total 0

List any significant variations that have occurred during the financial year, pursuant to Royal Decree 1362/2007:

Date of notification	Number of direct shares acquired	Number of indirect shares acquired	% of total share capital
15/01/2008	603,439	0	1.146
14/07/2008	527,785	0	1.002
06/11/2008	538,354	0	1.020

Gains / (losses) from treasury stock sold in the year (thousands of euros)	-1,193

A.9. Detail the terms and conditions of the authorization conferred at the General Shareholders' Meeting to the board of directors to purchase and/or transfer treasury stock.

THE PROPOSAL TO AUTHORISE THE DERIVATIVE ACQUISITION OF SHARES IN CAMPOFRÍO TO BE HELD IN TREASURY STOCK WAS UNANIMOUSLY PASSED AT THE GENERAL SHAREHOLDERS' MEETING HELD ON 17 JUNE 2008, SUBJECT TO THE FOLLOWING CONDITIONS:

1. THE ACQUISITION PRICE MAY NOT BE MORE THAN 5% HIGHER THAN THE TRADING PRICE ON THE DATE OF ACQUISITION, OR THAN ITS PRIOR CLOSE IF THE TRANSACTION IS CARRIED OUT ON A STOCK EXCHANGE HOLIDAY. HOWEVER, SHARES MAY BE ACQUIRED AT A DIFFERENT PRICE WITHIN THE FRAMEWORK OF PRE-EXISTING AGREEMENTS WHERE THE PRICE HAS BEEN SET OR THE PROCESS FOR SETTING IT IS PROVIDED FOR.

2. THIS AUTHORIZATION IS VALID FOR UP TO 18 MONTHS FROM THE DATE THE AGREEMENT IS RATIFIED.

3. THE NOMINAL VALUE OF THE SHARES ACQUIRED, TOGETHER WITH EXISTING TREASURY STOCK HELD BY THE ACQUIRING ENTITY AND ITS SUBSIDIARIES AND, IF APPROPRIATE, THAT HELD BY THE PARENT COMPANY AND ITS SUBSIDIARIES, MAY NOT EXCEED 5% OF SHARE CAPITAL.

4. COMPLIANCE WITH THE OTHER CONDITIONS SET FORTH IN ARTICLE 75 OF THE SPANISH COMPANIES ACT. THE PURPOSE OF THE BUYBACK MAY BE, INTER ALIA, DELIVERY OF THE SHARES TO EMPLOYEES AND DIRECTORS PURSUANT TO SHARE DELIVERY PLANS, SHARE OPTIONS OR SHARE-BASED PAYMENT SCHEMES AGREED PREVIOUSLY BY THE COMPANY'S SHAREHOLDERS IN GENERAL MEETING OR AS A FORM OF REMUNERATING SHAREHOLDERS.

A.10 Indicate any legal or bylaw restrictions on the exercise of voting rights and any legal restrictions on the acquisition and/or transfer of holdings in the company's share capital. Indicate whether there are legal restrictions on the exercise of voting rights:

No

Legal limit on percentage of voting rights a shareholder can exercise	0

Indicate whether there are any restrictions in the company's bylaws on the exercise of voting rights:

No

Limit in the bylaws on the percentage of voting rights a shareholder can exercise	0

Indicate whether there are any legal restrictions on the acquisition or transfer of holdings in the company's share capital:

No

A.11 Indicate whether any measures have been adopted at the General Shareholders' Meeting with the aim of neutralizing a hypothetical takeover bid within the meaning of Law 6/2007.

No

If so, explain the defense measures approved against takeover bids and the terms under they could be rendered unenforceable:

B STRUCTURE OF CORPORATE ADMINISTRATION

B.1 Board of Directors

B.1.1 Detail the maximum and minimum number of directorships established in the corporate bylaws:

Maximum number of directors	15
Minimum number of directors	5

B.1.2 Fill in the following table with the board members and their details:

Name or company name of director	Represented by	Post	Date of first appointment	Most recent appointment	Election procedure
PEDRO BALLVE	--	CHAIRMAN	14/12/1987	24/10/2008	GENERAL SHAREHOLDERS' MEETING
YIANNIS PETRIDES	--	VICE-CHAIRMAN	23/06/2005	24/10/2008	GENERAL SHAREHOLDERS' MEETING
CALEB SAMUEL KRAMER	--	DIRECTOR	24/10/2008	24/10/2008	GENERAL SHAREHOLDERS' MEETING
CHARLES LARRY POPE	--	DIRECTOR	24/10/2008	24/10/2008	GENERAL SHAREHOLDERS' MEETING
GUILLERMO DE LA DEHESA ROMERO	--	DIRECTOR	18/06/1997	24/10/2008	GENERAL SHAREHOLDERS' MEETING
JUAN JOSE GUIBELALDE IÑURRITEGUI	--	DIRECTOR	21/03/1988	24/10/2008	GENERAL SHAREHOLDERS' MEETING
KARIM MICHAEL KHAIRALLAH	--	DIRECTOR	24/10/2008	24/10/2008	GENERAL SHAREHOLDERS' MEETING
LUIS SERRANO MARTÍN	--	DIRECTOR	30/06/2000	24/10/2008	GENERAL SHAREHOLDERS' MEETING
RICHARD JASPER POULSON	--	DIRECTOR	24/10/2008	24/10/2008	GENERAL SHAREHOLDERS' MEETING

Total number of directors	9

Indicate any board resignations during this period:

Name or company name of director	Status of director upon resignation	Date of departure
MANUEL GIL MADRIGAL	PROPRIETARY	24/10/2008
FERNANDO BALLVÉ LANTERO	PROPRIETARY	24/10/2008
CAJA DE AHORROS MUNICIPAL DE BURGOS	PROPRIETARY	24/10/2008
ROBERT ALAIR SHARPE II	PROPRIETARY	24/10/2008

B.1.3 Fill in the following table on the board members and their different directorships:

EXECUTIVE DIRECTORS

Name or company name of director	Committee proposing appointment	Post within the Company organization
PEDRO JOSE BALLVÉ LANTERO	--	CHAIRMAN

Total number of executive directors	1
% of total board	11.111

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of director	Committee proposing appointment	Name or company name of the significant shareholder represented or who proposed the appointment
CALEB SAMUEL KRAMER	--	OCM EUROPEAN PRINCIPAL OPPORTUNITIES FUND, L.P.
CHARLES LARRY POPE	--	SMITHFIELD FOODS, INC.
KARIM MICHAEL KHAIRALLAH	--	OCM OPPORTUNITIES FUND VI, L.P.
LUIS SERRANO MARTÍN	--	CARTERA NUVALIA, S.L.
RICHARD JASPER POULSON	--	SMITHFIELD FOODS, INC.

Total number of proprietary directors	5
% of total board	55.556

EXTERNAL INDEPENDENT DIRECTORS
Name or company name of director
YIANNIS PETRIDES
Background
MANAGEMENT/CORPORATE
Name or company name of director
GUILLERMO DE LA DEHESA ROMERO
Background
FINANCE/CORPORATE
Name or company name of director
JUAN JOSE GUIBELALDE IÑURRITEGUI
Background
MANAGEMENT/CORPORATE

Total number of independent directors	3
% of total board	33.33

OTHER EXTERNAL DIRECTORS

Total number of other external directors	0
% of total board	0.000

List the reasons why they cannot be considered proprietary or independent and the links that person maintains with the company, its managers or its shareholders:

Indicate any variations that have occurred in director classification during this period:

Name or company name of director	Date of change	Previous classification	Current classification
JUAN JOSE GUIBELALDE IÑURRITEGUI	24/10/2008	OTHER EXTERNAL	INDEPENDENT
LUIS SERRANO	24/10/2008	EXECUTIVE	PROPRIETARY

B.1.4 Explain any reasons why proprietary directors have been appointed at the urging of shareholders controlling less than 5% of capital:

Name or company name of shareholder
CARTERA NUVALIA, S.L.
Reason
LUIS SERRANO WAS ALSO APPOINTED PROPRIETARY DIRECTOR AT THE BEHEST OF ALINA CORPORATE SL (A COMPANY LUIS SERRANO CONTROLS); TOGETHER, THE TWO COMPANIES OWN AN INTEREST OF OVER 5%

Indicate whether formal requests for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship have been rejected. If so, explain the reasons they were rejected.

No

B.1.5 Indicate whether a director has given up their place before their tenure expired, whether they have stated their reasons to the Board and how, and, if in writing to the board, explain the reasons given:

Yes

Name of director
CAJA DE AHORROS MUNICIPAL DE BURGOS
Reason for resignation
COMPANY MERGER AND SUBSEQUENT BOARD RECOMPOSITION TO MAKE ROOM FOR DIRECTORS IN REPRESENTATION OF THE NEW SHAREHOLDERS

Name of director
FERNANDO BALLVÉ LANTERO
Reason for resignation
COMPANY MERGER AND SUBSEQUENT BOARD RECOMPOSITION TO MAKE ROOM FOR DIRECTORS IN REPRESENTATION OF THE NEW SHAREHOLDERS

Name of director
MANUEL GIL MADRIGAL
Reason for resignation
COMPANY MERGER AND SUBSEQUENT BOARD RECOMPOSITION TO MAKE ROOM FOR DIRECTORS IN REPRESENTATION OF THE NEW SHAREHOLDERS

Name of director
ROBERT ALAIR SHARPE II
Reason for resignation
COMPANY MERGER AND SUBSEQUENT BOARD RECOMPOSITION TO MAKE ROOM FOR DIRECTORS IN REPRESENTATION OF THE NEW SHAREHOLDERS

B.1.6 Indicate, where appropriate, any powers delegated to the Chief Executive(s):

B.1.7 Identify any directors who are also executives or directors of other companies that form part of the listed company group:

Name or company name of director	Name of group company	Position
JUAN JOSE GUIBELALDE IÑURRITEGUI	JAMONES BURGALESES, S.A.	CHAIRMAN OF THE BOARD
JUAN JOSE GUIBELALDE IÑURRITEGUI	NAVIDUL EXTREMADURA, S.A.	CHAIRMAN OF THE BOARD (IN REPRESENTATION OF CAMPOFRÍO ALIMENTACIÓN S.A.)

B.1.8 List any company board members who are also members of the board of directors of other companies listed on official securities markets in Spain, other than your own group, that have been reported to the company:

Name or company name of director	Name of the listed company	Position
GUILLERMO DE LA DEHESA	BANCO SANTANDER S.A.	DIRECTOR

B.1.9 Indicate whether the company has any rules about the number of directorships its board members can hold and if so explain them.

No

B.1.10 Regarding recommendation 8 of the Unified Code, indicate the company's general policies and strategies which the board in full has reserved the right to approve:

Investment and financing policy	Yes
Design of the structure of the corporate group	Yes
Corporate governance policy	Yes
Corporate social responsibility policy	Yes
The strategic or business plan, management targets and annual budgets	Yes
Remuneration and evaluation of senior officers	Yes
Risk control and management, and the periodic monitoring of internal information and control systems	Yes
Dividend policy, as well as the policies and limits applying to treasury stock	Yes

B.1.11 Fill in the following tables regarding aggregate remuneration accrued by directors during the year:

a) In the company subject to this report:

Type of remuneration	Thousands of euros
Fixed remuneration	1,126
Variable remuneration	2,654
Allowances	612
Bylaw-stipulated directors emoluments	0
Share options and/or other financial instruments	0
Other	0
Total	4,392

Others benefits	Thousands of euros
Advances	0
Loans granted	0
Pension plans and funds: contributions	0
Pension plans and funds: obligations contracted	0
Life insurance premiums	7
Guarantees given by the company in favor of directors	0

b) For directors belonging to other boards of directors and/or senior management of group companies:

Type of remuneration	Thousands of euros
Fixed remuneration	0
Variable remuneration	0
Allowances	0
Bylaw-stipulated directors emoluments	0
Share options and/or other financial instruments	0
Other	0
TOTAL	0

Others benefits	Thousands of euros
Advances	0
Loans granted	0
Pension plans and funds: contributions	0
Pension plans and funds: obligations contracted	0
Life insurance premiums	0
Guarantees given by the company in favor of directors	0

c) Total remuneration by type of directorship:

Type of director	By company	By group
Executive	3,916	0
External Proprietary	272	0
External Independent	204	0
Other external	0	0
Total	4,392	0

d) In terms of profit attributable to the parent company:

Total director remuneration (in thousands of euros)	4,392
Total director remuneration/ profit attributable to the parent company (%)	-/-

B.1.12 Identify the members of senior management who are not executive directors and indicate total remuneration accruing to them during the year:

Name or company name	Position
MIGUEL ANGEL ORTEGA BERNAL	GENERAL MANAGER OF FRESH FOODS DIVISION
JESUS DE LA VIUDA	CHIEF FINANCIAL OFFICER
EDUARDO MIGUEL ORENSE	HEAD OF GROUP HUMAN RESOURCES
FERNANDO VALDES BUENO	GENERAL MANAGER SPAIN AND PORTUGAL
ALFREDO SANFELIZ MEZQUITA	GENERAL SECRETARY
ISABEL ROPERO	HEAD OF INVESTOR RELATIONS
OVIDIU WENCZ	GENERAL MANAGER, ROMANIA
JUAN CARLOS PEÑA FERNANDEZ	HEAD OF INTERNAL AUDIT

Total senior management remuneration (in thousands of euros)	3,986

B.1.13 Identify in aggregate terms any guarantees or "golden parachute" clauses benefiting senior managers (including executive directors) of the company or its group. Indicate whether these contracts must be reported to and/or approved by the governing bodies of the company or its group:

Number of beneficiaries	2

	Board of Directors	General Shareholders' Meeting
Body authorizing the clauses	Yes	No

Is the General Shareholders' Meeting informed of these clauses?	No

B.1.14 Indicate the process for establishing board members' remuneration and any relevant clauses in bylaws regarding such payment.

Process for establishing board members' remuneration and clauses in the company bylaws
THE BOARD REGULATIONS STATE THAT THE MATERIALS RESERVED TO THE FULL BOARD ARE THOSE STIPULATED IN ARTICLE 24 OF THE BYLAWS WHOSE SECTION E) LISTS APPROVAL OF DIRECTOR REMUNERATION IN CONFORMITY WITH THE PROVISIONS OF ARTICLE 25 OF THE BYLAWS, AND FOR EXECUTIVE DIRECTORS, ANY ADDITIONAL REMUNERATION FOR DISCHARGING EXECUTIVE DUTIES. REGARDING THE PROCESS FOR SETTING REMUNERATION, AFTER DEBATE AND DISCUSSION WITH THE CHIEF EXECUTIVE, THE NOMINATION AND REMUNERATION COMMITTEE SUBMITS ITS REPORT TO THE BOARD FOR APPROVAL. THE APPLICABLE CLAUSES IN THE COMPANY BYLAWS AND REGULATIONS ARE AS FOLLOWS: ARTICLE 25 OF THE BYLAWS SETS FORTH: "THE OFFICE OF DIRECTOR SHALL BE REMUNERATED. SUCH REMUNERATION SHALL CONSIST OF AN ANNUAL FIXED AMOUNT TO BE DECIDED EACH YEAR BY THE COMPANY'S BOARD OF DIRECTORS FOR THE YEAR IN WHICH SUCH DECISION IS TAKEN. THE BOARD SHALL ALSO DECIDE ON THE CRITERIA FOR ITS DISTRIBUTION AMONG THE MEMBERS OF THE BOARD. THIS AMOUNT SHALL NOT EXCEED THE MAXIMUM ANNUAL AMOUNT ESTABLISHED AT THE GENERAL MEETING, WHICH SHALL BE DEEMED TO BE EFFECTIVE FOR THE CURRENT AND ENSUING YEARS, UNTIL AN AMENDMENT IS ADOPTED BY SHAREHOLDERS IN GENERAL MEETING. ADDITIONALLY, DIRECTORS MAY ALSO RECEIVE AS REMUNERATION, CUMULATIVELY TO THE REMUNERATION STIPULATED IN THE FOREGOING SECTION, SHARES OR OPTION RIGHTS OVER SUCH SHARES, OR THAT ARE LINKED TO THE VALUE THEREOF, THE APPROVAL OF WHICH SHALL REQUIRE RATIFICATION OF THE RELEVANT RESOLUTION AT THE GENERAL SHAREHOLDERS' MEETING, WHICH SHALL DECIDE ON THE VALUE OF THE SHARES TO BE TAKEN AS A BENCHMARK, THE NUMBER OF SHARES TO BE GRANTED TO EACH DIRECTOR, THE PRICE AT WHICH THE OPTION RIGHTS MAY BE EXERCISED, THE TERM OF APPLICATION OF THIS REMUNERATION SCHEME, AND ANY OTHER TERMS AND CONDITIONS THAT IT DEEMS APPROPRIATE. THE FOREGOING SHALL NOT PRECLUDE OR LIMIT ANY OTHER REMUNERATION AGREED BETWEEN THE COMPANY AND ITS DIRECTORS IN CONNECTION WITH AN EMPLOYMENT CONTRACT OR IN EXCHANGE FOR THE PROVISION OF OTHER SPECIFIC PROFESSIONAL SERVICES." IN ADDITION, ARTICLE 27 OF THE BOARD REGULATIONS SETS FORTH THE FOLLOWING IN RELATION TO DIRECTOR REMUNERATION: 1. DIRECTORS SHALL BE ENTITLED TO RECEIVE THE REMUNERATION SET BY THE BOARD OF DIRECTORS PURSUANT TO THE CORRESPONDING BYLAW STIPULATED PROVISIONS AND IN ACCORDANCE WITH A PRIOR REPORT ISSUED BY THE NOMINATION AND REMUNERATION COMMITTEE IN THE EVENT OF ANY CHANGES.

2. THE BOARD SHALL PROCURE THAT THE REMUNERATION OF DIRECTORS SHALL BE MODERATE IN LIGHT OF MARKET CONDITIONS PURSUANT TO THE PROVISIONS OF THE BYLAWS AND IN TERMS OF NATURE AND CRITERIA, PROPORTIONAL TO THE PURPOSES OF THE COMPANY AND THE DUTIES ASSIGNED TO THE BOARD AND TO EACH ONE OF THE DIFFERENT CATEGORIES OF DIRECTORS REFERRED TO IN ARTICLE 7 OF THE BOARD REGULATIONS AND, IN PARTICULAR, IT SHALL PROCURE THAT THE REMUNERATION OF EXTERNAL DIRECTORS IS SUFFICIENT TO COMPENSATE THEIR DEDICATION AND QUALIFICATION, BUT NOT AS HIGH AS TO COMPROMISE THEIR INDEPENDENCE; THAT REMUNERATION ASSOCIATED WITH THE COMPANY'S PROFIT TAKES INTO ACCOUNT ANY RESERVATIONS SET FORTH IN THE EXTERNAL AUDITOR'S REPORT WHICH MAY REDUCE SUCH PROFIT, AND, IN THE CASE OF VARIABLE REMUNERATION, THAT THE NECESSARY PRECAUTIONS ARE TAKEN IN ORDER TO ENSURE THAT REMUNERATION IS COMMENSURATE WITH THE PROFESSIONAL EXPERIENCE OF ITS RECIPIENT AND IS NOT DICTATED BY THE GENERAL EVOLUTION OF THE MARKETS. 3. THE BOARD SHALL SEE THAT DIRECTOR REMUNERATION IS AT ALL TIMES COMPLIANT WITH PREVAILING REGULATIONS AND STANDARDS GOVERNING DISCLOSURE AND TRANSPARENCY.

Indicate whether the board in full reserves the right to approve:

On the proposal of the company's chief executive, the appointment and removal of senior officers, and their remuneration clauses.	Yes
Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contractual conditions.	Yes

B.1.15 Indicate whether the board of directors approves a detailed remuneration policy and specify the matters on which it decides:

Yes

The amount of the fixed components, itemized where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment they give rise to	Yes
Variable components	Yes
The main characteristics of pension systems, with an estimate of their amount of annual equivalent cost.	Yes
The conditions to apply to the contracts of executive directors exercising senior management functions	Yes

B.1.16 Indicate whether the board submits a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting as a separate point on the agenda. If so, explain the main features of the report regarding the remuneration policy approved by the Board for the following years, the most significant changes in remuneration policy applied during the year and a global summary of how the policy was applied over the period. Detail the role of the Remuneration Committee and if external advisors have been engaged, their identity:

No

Role of the Remuneration Committee
TO PROPOSE OR ISSUE A REPORT ON THE REMUNERATION OF THE COMPANY'S BOARD MEMBERS AND SENIOR MANAGEMENT AND TO REVIEW/ANALYSE THE TERMS OF DIRECTORS' AND SENIOR MANAGEMENTS' CONTRACTUAL ARRANGEMENTS. ALTHOUGH AN EXTERNAL COMPENSATION CONSULTANT WAS NOT ENGAGED IN 2008 THERE ARE PLANS TO USE THE SERVICES OF AN EXTERNAL ADVISOR IN 2009.

Have external advisors been engaged?	

Identity of the external advisors

B.1.17 Indicate the identity of any board members who sit on the board of directors or hold senior management posts in companies having significant shareholdings in the listed company and/or its group companies:

Name or company name of director	Company name of significant shareholder	Position
PEDRO JOSE BALLVE LANTERO	CARBAL S.A.	JOINT AND SEVERAL DIRECTOR
CALEB SAMUEL KRAMER	OCM EUROPEAN PRINCIPAL OPPORTUNITIES FUND, L.P.	MANAGING DIRECTOR
CHARLES LARRY POPE	SMITHFIELD FOODS, INC.	CHAIRMAN & CEO
KARIM MICHAEL KHAIRALLAH	OCM OPPORTUNITIES FUND VI, L.P.	MANAGING DIRECTOR
LUIS SERRANO MARTÍN	CARTERA NUVALIA, S.L.	JOINT AND SEVERAL DIRECTOR
RICHARD JASPER POULSON	SMITHFIELD FOODS, INC.	EXECUTIVE VICE-CHAIRMAN

Detail, if appropriate, any relevant relations other than those indicated in the section above that link members of the board of directors with significant shareholders and/or their group companies:

Name or company name of director
LUIS SERRANO MARTÍN
Name or company name of significant shareholder
INMO3, S.L.
Description of relationship
INDIRECT OWNERSHIP STAKE OF 7.24%

B.1.18 Indicate whether there have been any amendments made to the Board Regulations during the year:

Yes

Description of amendments
THE BOARD REGULATIONS WERE AMENDED ON 18 SEPTEMBER 2008. AMENDMENTS WERE MADE TO ARTICLES 4, 5, 7, 10, 14, 15, 18, 20 AND 31 OF THE BOARD REGULATIONS. THE AMENDMENTS MADE AFFECTED THE ABOVE LISTED ARTICLES AS FOLLOWS: ARTICLE 4, TO ADD LANGUAGE REFERRING TO THE ENTITY THAT SUBSTITUTES THE CNMV IN ITS FUNCTIONS. ARTICLE 5, GENERAL REFERENCE TO MATTERS LISTED IN THE BYLAWS THAT ARE RESERVED TO THE FULL BOARD. ARTICLE 7, ISSUANCE OF PROPOSALS OR REPORTS BY THE NOMINATION AND REMUNERATION COMMITTEE IN THE EVENT OF BOARD VACANCIES TO BE TEMPORARILY FILLED BY THE BOARD ITSELF. ARTICLE 10, TO ADD LANGUAGE ON THE BOARD'S REQUIREMENT TO DESIGNATE ONE OR MORE VICE-CHAIRPERSONS. ARTICLE 14, ADDITION OF A NEW PARAGRAPH STIPULATING THAT THE COMPOSITION OF THE COMMITTEES REFERRED TO THEREIN SHOULD MIRROR THE PREVAILING COMPOSITION OF THE COMPANY'S BOARD OF DIRECTORS, WITHOUT PREJUDICE TO THE COMMITTEE-SPECIFIC STIPULATIONS. ARTICLE 15, ADDITION OF A NEW FUNCTION ATTRIBUTABLE TO THE NOMINATION AND REMUNERATION COMMITTEE: TO PROPOSE TO THE BOARD OF DIRECTORS THE ELECTION, RE-ELECTION OR DISMISSAL OF INDEPENDENT DIRECTORS, BASED ON A LIST PREPARED BY SPECIALIST CONSULTANTS IF REQUIRED BY ANY DIRECTOR AND TO BRING THE TERM OF APPOINTMENT FOR MEMBERS OF THIS COMMITTEE IN LINE WITH THEIR RESPECTIVE TENURES AS DIRECTORS. ARTICLE 18, REFERENCE TO THE MAJORITY REGIME GOVERNING DECISION-MAKING IN THE BYLAWS. ARTICLE 20, ADDITION OF THE PROVISION THAT ANY DIRECTOR MAY REQUEST THAT THE NOMINATION AND REMUNERATION COMMITTEE'S PROPOSAL FOR THE APPOINTMENT OF INDEPENDENT EXTERNAL DIRECTORS BE BASED ON A LIST DRAWN UP FOR THIS PURPOSE BY AN OUTSIDE EXPERT. ARTICLE 31, CLARIFICATION OF THE CONFLICT OF INTEREST CONCEPT, STIPULATING THAT A DIRECTOR SHALL AVOID ANY CONFLICT OF INTEREST BETWEEN (I) HIM/HER AND/OR HIS/HER CLOSE RELATIVES OR RELATED COMPANIES, INCLUDING FOR THESE PURPOSES THE COMPANY WHICH HAS APPOINTED HIM/HER AS ITS REPRESENTATIVE ON THE BOARD, AND (II) THE COMPANY, AND SHALL REPORT ANY SUCH SITUATIONS TO THE BOARD OF DIRECTORS IF THE SAME PROVE TO BE UNAVOIDABLE.

B.1.19 Indicate any procedures for the appointment, re-election, assessment and removal of directors. List the competent bodies, the steps followed and the criteria applied in each of the procedures.

EXCEPT AS PROVIDED IN LAW AND THE COMPANY BYLAWS IN RELATION TO APPOINTMENT BY CO-OPTION, DIRECTORS SHALL BE APPOINTED AT THE GENERAL SHAREHOLDERS' MEETING AT THE PROPOSAL OF THE BOARD OF DIRECTORS WHICH IN TURN SHALL ACT AT THE PROPOSAL OF THE NOMINATION AND REMUNERATION COMMITTEE REGARDING INDEPENDENT DIRECTORS, AND SUBJECT TO A REPORT BY THIS COMMITTEE IN THE CASE OF ALL OTHER DIRECTORS, WITHOUT PREJUDICE TO SHAREHOLDERS' RIGHTS AS PROVIDED FOR IN THE SPANISH COMPANIES ACT.

PURSUANT TO ARTICLE 15 OF THE BOARD REGULATIONS, THE NOMINATION AND REMUNERATION COMMITTEE'S FUNCTIONS INCLUDE SUBMITTING PROPOSALS TO THE BOARD OF DIRECTORS ON THE ELECTION, RE-ELECTION OR DISMISSAL OF INDEPENDENT DIRECTORS BASED ON A LIST PREPARED BY SPECIALIST CONSULTANTS IF SO REQUIRED BY ANY DIRECTOR. SIMILARLY, THIS COMMITTEE IS REQUIRED TO REPORT, IN ADVANCE, ON ALL PROPOSALS BY THE BOARD OF DIRECTORS TO THE GENERAL SHAREHOLDERS' MEETING IN RELATION TO THE APPOINTMENT OF DIRECTORS, CONSIDERING THE CANDIDATE'S PERSONAL AND PROFESSIONAL CREDENTIALS, AS WELL AS THE NEEDS OF THE COMPANY'S GOVERNING BODIES AT ANY POINT IN TIME.

REGARDING THE APPOINTMENT OF EXTERNAL INDEPENDENT DIRECTORS, ARTICLE 20 OF THE BOARD REGULATIONS STATES THAT THE BOARD OF DIRECTORS, WITHIN THE SCOPE OF ITS POWERS, SHALL SEE THAT CANDIDATES TO BE SELECTED BE PERSONS OF RENOWNED SOLVENCY AND COMPETENCE, WHO CAN CONTRIBUTE EXPERIENCE AND KNOWLEDGE TO THE COMPANY'S GOVERNANCE, AND SHALL EXERCISE SPECIAL CARE IN RELATION TO THOSE INTENDED TO FILL THE POSITIONS OF EXTERNAL INDEPENDENT DIRECTORS AS SET FORTH IN THE BOARD REGULATIONS.

DIRECTORS SHALL BE APPOINTED FOR A STATUTORY 5-YEAR TERM AND MAY BE RE-ELECTED ONE OR MORE TIMES FOR SIMILAR PERIODS.

DIRECTORS APPOINTED BY CO-OPTION SHALL HOLD THEIR DIRECTORSHIP UNTIL THE NEXT GENERAL SHAREHOLDERS' MEETING FOLLOWING THEIR APPOINTMENT.

IN ACCORDANCE WITH THE BYLAWS, DIRECTORS SHALL BE APPOINTED FOR A 5-YEAR TERM AND MAY BE RE-ELECTED ONE OR MORE TIMES FOR SIMILAR PERIODS.

PROPOSALS TO APPOINT, RE-ELECT OR DISMISS DIRECTORS SUBMITTED TO THE GENERAL SHAREHOLDERS MEETING BY THE BOARD OF DIRECTORS SHALL BE MADE SUBJECT TO A PROPOSAL BY THE NOMINATION AND REMUNERATION COMMITTEE, IN THE CASE OF INDEPENDENT DIRECTORS, AND BASED ON A LIST PREPARED FOR THIS PURPOSE BY OUTSIDE CONSULTANTS IF SO REQUIRED BY ANY DIRECTOR, AND A REPORT BY THE COMMITTEE IN THE CASE OF ALL OTHER DIRECTORS. PROPOSALS TO RE-ELECT EXTERNAL INDEPENDENT DIRECTORS MAY NOT BE MADE WITHOUT A PRIOR COMMITTEE REPORT CONFIRMING THAT UPON RE-ELECTION NONE OF THE CIRCUMSTANCES MENTIONED IN ARTICLE 19 OF THE BOARDS REGULATION WILL BE MET.

IN ACCORDANCE WITH THE FOREGOING, FOR ALL PROPOSED APPOINTMENTS AND RE-ELECTIONS OF DIRECTORS, AN ASSESSMENT WILL BE MADE OF THE CANDIDATE'S PERSONAL CIRCUMSTANCES, AS WELL AS THEIR JOB PERFORMANCE AND COMMITMENT. DIRECTORS SHALL CEASE TO HOLD OFFICE UPON EXPIRY OF THE TERM FOR WHICH THEY WERE APPOINTED WITHOUT HAVING BEEN RE-ELECTED AT THE FIRST GENERAL SHAREHOLDERS' MEETING.

MOREOVER, DIRECTORS MAY BE REMOVED FROM OFFICE BY THE SHAREHOLDERS IN GENERAL MEETING, AT THE PROPOSAL, IF APPLICABLE, OF THE BOARD OF DIRECTORS, WHICH IN TURN SHALL ACT AT THE PROPOSAL OF THE NOMINATION AND REMUNERATION COMMITTEE. FOR THE REMOVAL OF A PROPRIETARY DIRECTOR OR AN INDEPENDENT DIRECTOR, BOTH PROPOSALS SHALL ATTACH A REPORT JUSTIFYING THE EXCEPTIONAL CAUSES WHICH MAKE HIS/HER REMOVAL NECESSARY OR ADVISABLE.

DIRECTORS MAY ALSO BE DISMISSED:

A) WHEN THEY CEASE TO HOLD THE EXECUTIVE POSITION ASSOCIATED WITH THEIR APPOINTMENT AS DIRECTORS.

B) WHEN THEY ARE IN BREACH OF ANY OF THE LEGALLY PROVIDED FOR CONFLICTS OF INTEREST OR PROHIBITIONS.

C) WHEN THEIR PRESENCE ON THE BOARD JEOPARDISES THE INTERESTS OF THE COMPANY OR WHEN THE REASONS FOR WHICH THEY WERE APPOINTED CEASE TO EXIST.

IN ACCORDANCE WITH ARTICLE 13 OF THE BOARD REGULATIONS, IF A DIRECTOR WERE DISMISSED BEFORE THE GENERAL MEETING IS HELD, THE BOARD MAY DESIGNATE A SUBSTITUTE, ALTHOUGH BOTH THE DISMISSAL AND APPOINTMENT MUST BE RATIFIED AT THE FIRST GENERAL SHAREHOLDERS' MEETING THEREAFTER.

DIRECTORS LEAVING THEIR OFFICE BEFORE THE END OF THEIR TENURE OR REMOVED FOR ANY OTHER REASON, MAY NOT PROVIDE SERVICES TO ANY OTHER ENTITY WITH A SIMILAR CORPORATE PURPOSE TO THAT OF THE COMPANY FOR A PERIOD OF TWO YEARS, EXCEPT WHERE THE COMPANY IN QUESTION IS LINKED TO THE GROUP. IF THE BOARD OF DIRECTORS DEEMS APPROPRIATE, IT MAY EXEMPT OUTGOING DIRECTORS FROM THIS NON-COMPETE CLAUSE OR SHORTEN THE LENGTH THEREOF.

B.1.20 Indicate under what circumstances directors are obliged to resign.
DIRECTORS ARE REQUIRED TO STEP DOWN:

A) WHEN THEY CEASE TO HOLD THE EXECUTIVE POSITION ASSOCIATED WITH THEIR APPOINTMENT TO THE BOARD.

B) WHEN THEY ARE IN BREACH OF ANY OF THE LEGALLY PROVIDED FOR CONFLICTS OF INTEREST OR PROHIBITIONS.

C) WHEN THEIR CONTINUED PRESENCE ON THE BOARD JEOPARDISES THE INTERESTS OF THE COMPANY OR WHEN THE REASONS FOR WHICH THEY WERE APPOINTED CEASE TO EXIST.

B.1.21 Explain whether the duties of chief executive officer fall upon the Chairman of the Board. If so, indicate the measures taken to limit the risk of the accumulation of powers in a single person:

Yes

Risk limitation measures
IN 2008 THE CHAIRMAN OF THE BOARD FULFILLED THE DUTIES OF CHIEF EXECUTIVE AND CONSEQUENTLY ACTED AS THE COMPANY'S TOP RANKING EXECUTIVE. NONETHELESS THE DAY-TO-DAY ADMINISTRATION OF THE COMPANY IS DELEGATED IN THE FULLY EMPOWERED MANAGING DIRECTORS OF THE SPANISH AND THE OTHER FOREIGN DIVISIONS. HOWEVER, IN CONJUNCTION WITH THE MERGER PROCESS IN WHICH THE COMPANY IS IMMERSED, THE BOARD OF DIRECTORS, IN ITS DECEMBER 2008 SESSION, CREATED THE POSITION OF GROUP MANAGING DIRECTOR; ACCORDINGLY, STARTING IN 2009 THE COMPANY'S EXECUTIVE DUTIES WILL FALL TO THE DULY APPOINTED MANAGING DIRECTOR.

Indicate and explain whether the company has rules empowering an independent director to request the calling of board meetings or include new business on the agenda, to coordinate and give voice to the concerns of external directors, and to lead the board's evaluation.

Yes

Explanation of the rules
ARTICLE 20 OF THE COMPANY BYLAWS STATES THAT THE BOARD MAY AUTHORISE ONE OF ITS INDEPENDENT DIRECTORS ON A PERMANENT BASIS TO REQUEST THAT THE CHAIRMAN CALL A BOARD MEETING OR INCLUDE NEW ITEMS ON THE AGENDA, WHEN THE PERSON HOLDING OFFICE AS CHAIRMAN IS AN EXECUTIVE DIRECTOR. THE BOARD HAS NOT EXERCISED THIS POWER GRANTED IN THE COMPANY BYLAWS AS POLICY DICTATES THAT ANY DIRECTOR MAY REQUEST THE INCLUSION OF NEW ITEMS ON THE AGENDA TO THE SECRETARY.

B.1.22 Are qualified majorities other than those established by law required for certain decisions?

Yes

Indicate how the board of directors adopts resolutions, indicating at least the minimum quorum and the types of majorities required to pass resolutions:

Description of resolution:
(I) ADOPTION OF RESOLUTIONS RELATING TO MATTERS RESERVED TO THE BOARD UNDER ARTICLE TWENTY-FOUR OF THE BYLAWS (WITH THE EXCEPTION OF THE APPOINTMENT AND DISMISSAL OF DIRECTORS UNDER THE PROVISIONS OF ARTICLE 24 D, WHICH ONLY REQUIRES A STRAIGHT MAJORITY).

(II) APPOINTMENT OF ONE OR MORE MANAGING DIRECTORS, AND

(III) AMENDMENT OF THE RULES GOVERNING ITS ORGANISATION.

Quorum	%
HALF PLUS ONE OF ITS MEMBERS	66.00

Type of majority	%
THE FAVOURABLE VOTE OF TWO-THIRDS OF THE MEMBERS OF THE BOARD	66.00

B.1.23 Explain if there are other requirements, other than those for directors, for being appointed Chairman.

No

B.1.24 Indicate whether the Chairman has the casting vote:

No

B.1.25 Indicate whether the company bylaws or Board Regulations establish an age limit for directors:

No

Age limit for Chairman	Age limit for CEO	Age limit for directors
None	None	None

B.1.26 Indicate whether the company bylaws or the Board Regulations establish a limit on the term of office of independent directors:

No

Maximum number of years in office	

B.1.27 If female directors are few or non-existent, state the reasons for this situation and the measures taken to correct it.

Explanation of reasons and measures taken
UNTIL NOW, THE SCANT NUMBER OF FEMALE DIRECTORS WITH THE APPROPRIATE EXPERIENCE FOR THE POST HAS HINDERED THEIR APPOINTMENT.

Indicate whether the Nomination and Remuneration Committee has any procedures to ensure the process of filling board vacancies is not implicitly biased against female candidates and procedures designed to actively seek out female candidates that match the required profile:

No

Specify the main procedures

B.1.28 Indicate whether there are any formal processes for proxy voting in the Board of Directors. If so, describe briefly.

THERE ARE NO FORMAL PROCESSES. HOWEVER, IN ACCORDANCE WITH ARTICLE 21 OF THE COMPANY BYLAWS, THE DELEGATION OF VOTES MUST BE INDICATED IN WRITING FOR EACH AND EVERY MEETING OF THE BOARD.

B.1.29 Indicate the number of meetings held by the Board of Directors during the year. Likewise, indicate the number of times, if any, the board has met in absence of its Chairman:

Number of board meetings	9
Number of board meetings held in the absence of the Chairman	0

Indicate the number of board committee meetings held during the year:

Number of Executive Committee meetings	
Number of Audit Committee meetings	5
Number of Nomination and Remuneration Committee meetings	2
Number of Nomination Committee meetings	
Number of Remuneration Committee meetings	

B.1.30 Indicate the number of meetings held by the Board of Directors during the year without attendance by all its members. In the calculation, include as absent all proxies without specific instructions:

Number of directors absent from meetings in the year	8
% of absenteeism over total votes in the year	16.0

B.1.31 Indicate whether the individual and consolidated accounts are certified prior to their presentation to the Board of Directors.

No

Identify, if appropriate, the person(s) certifying the individual and consolidated accounts for their approval by the board:

B.1.32 Explain the mechanisms, if any, established by the Board of Directors to avoid presenting a qualified report on the individual and consolidated accounts to the General Shareholders' Meeting.

FOLLOW-UP OF THE MOST SIGNIFICANT AND COMPLEX ACCOUNTING ISSUES IS PERFORMED BY THE AUDIT COMMITTEE. THE COMMITTEE DIRECTLY RECEIVES THE AUDITORS' REPORT IN RELATION TO POTENTIAL DISCREPANCIES REGARDING ACCOUNTING CRITERIA. SUBSEQUENTLY, AND PRIOR TO THE APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS BY THE BOARD, THE AUDIT COMMITTEE MAKES TIMELY DECISIONS REGARDING THE ACCOUNTING CRITERIA TO BE APPLIED IN ORDER TO AVOID ANY QUALIFICATIONS IN THE AUDIT REPORT.

B.1.33 Is the Secretary to the board also a director?

No

B.1.34 Explain the procedure for the appointment or removal of the Secretary to the board, indicating whether his or her appointment has been proposed by the Nomination Committee and approved by a full board meeting.

Procedures for appointment and removal
IN ACCORDANCE WITH THE AMENDMENT TO THE BOARD REGULATIONS PASSED IN 2007, THE NOMINATION COMMITTEE SHALL PROPOSE THE APPOINTMENT AND REMOVAL OF THE SECRETARY TO THE BOARD. THE CURRENT SECRETARY TO THE BOARD WAS APPOINTED PRIOR TO THIS AMENDMENT.

Does the Nomination Committee propose the appointment?	Yes
Does the Nomination Committee propose the removal?	Yes
Is the appointment approved at a full board meeting?	Yes
Is the removal approved at a full board meeting?	Yes

Does the Secretary to the board have the specific duty of overseeing good governance recommendations?

Yes

Comments
IN REALITY THE SECRETARY OVERSEES COMPLIANCE WITH GOOD GOVERNANCE RECOMMENDATIONS, WITHOUT PREJUDICE TO THE FACT THAT THIS FUNCTION FALLS TO THE AUDIT COMMITTEE UNDER THE BYLAWS AND BOARD REGULATIONS.

B.1.35 Indicate the mechanisms, if any, established by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

THE AUDIT COMMITTEE IS THE MAIN BODY CHARGED WITH PRESERVATION OF THE INDEPENDENCE OF THE COMPANY'S AUDITOR. THIS COMMITTEE IS CURRENTLY MADE UP OF TWO INDEPENDENT DIRECTORS AND ONE EXTERNAL PROPRIETARY DIRECTOR. THE COMMITTEE IS CHAIRED BY ONE OF THE INDEPENDENT DIRECTORS.

THE DUTIES OF THE AUDIT COMMITTEE INCLUDE PROPOSING TO THE BOARD OF DIRECTORS, FOR SUBMISSION TO THE GENERAL SHAREHOLDERS' MEETING, THE APPOINTMENT, DISMISSAL AND RE-ELECTION OF EXTERNAL AUDITORS, AS WELL AS THE TERMS OF THEIR ENGAGEMENT. IT IS ALSO RESPONSIBLE FOR MANAGING THE RELATIONSHIP AND SERVING AS A COMMUNICATIONS CHANNEL WITH THE EXTERNAL AUDITORS IN ORDER TO ADDRESS ISSUES WHICH COULD JEOPARDISE THE LATTER'S INDEPENDENCE.

IN RELATION TO THE INDEPENDENCE OF FINANCIAL ANALYSTS AND INVESTMENT BANKS, THE BOARD OF DIRECTORS AND THE COMPANY'S FINANCE DEPARTMENT ARE SENSITIVE TO THEIR NEED FOR INDEPENDENCE. THE BOARD SEEKS TO AVOID SITUATIONS THAT COULD COMPROMISE THEIR INDEPENDENCE. HOWEVER, THE COMPANY CANNOT CONTROL THE MECHANISMS THAT NEED TO BE PUT IN PLACE AT EACH OF THESE ENTITIES TO ENSURE THEIR INDEPENDENCE. THE COMPANY IS NOT RATED BY ANY RATING AGENCY.

B.1.36 Indicate whether the company has changed external auditor during the year. If so, identify the outgoing and incoming auditor:

No

Outgoing auditor	Incoming auditor

In the event of disagreements with the outgoing auditor, explain the substance:

No

B.1.37 Indicate whether the auditing firm does non-audit work for the company and/or its group. If so, state the fees it receives for such work and the percentage represented by such fees of the total fees invoiced to the company and/or its group.

Yes

	Company	Group	Total
Amount from non-audit work (in thousands of euros)	840	145	985
Amount from non-audit work / total amount invoiced by the auditing firm	76.00	28.00	60.69

B.1.38 Indicate whether the audit of the annual financial statements of the preceding year contained any reservations or qualifications. If so, indicate the account given to shareholders by the Chairman of the Audit Committee of their scope and content.

No

B.1.39 Indicate how many consecutive years the current auditing firm has been auditing the annual financial statements of the company and/or its group. Likewise, indicate how many years the current auditing firm has been auditing the financial statements as a percentage of the total number of years for which the annual accounts have been audited:

	Company	Group
Number of consecutive years	8	8

	Company	Group
Number of years audited by the current audit firm / number of years the company financial statements have been audited (%)	44.4	44.4

B.1.40 List the shareholdings of the members of the company's board of directors in other companies having identical, similar or complementary activities to those of the company and/or its group, of which the company has been notified. Likewise, list the posts or duties they hold in such companies:

Name or company name of director	Name of the company	% shareholding	Post or duties
PEDRO JOSE BALLVE LANTERO	TELE PIZZA S.A.	22.500	CHAIRMAN OF THE BOARD
PEDRO JOSE BALLVÉ LANTERO	DESARROLLO GANADERO ESPAÑOL S.A.	38.170	-
CHARLES LARRY POPE	SMITHFIELD FOODS, INC.	0.230	CHAIRMAN & CEO
LUIS SERRANO MARTÍN	CASA DEL ARMIÑO SA	0.489	-
LUIS SERRANO MARTÍN	AGROIBERICOS DERAZA SL	1.286	-
RICHARD JASPER POULSON	SMITHFIELD FOODS, INC.	0.010	EXECUTIVE VICE-CHAIRMAN

B.1.41 Indicate whether there are procedures in place for directors to receive external advice:

Yes

Details of the procedure
IN ACCORDANCE WITH ARTICLE 12 OF THE BOARD REGULATIONS, THE "SECRETARY AIDS THE CHAIRMAN IN HIS/HER TASKS AND MUST SEE THAT THE BOARD WORKS PROPERLY, ENSURING, IN PARTICULAR, THAT DIRECTORS RECEIVE THE NECESSARY COUNSELLING AND INFORMATION, KEEPING A RECORD OF CORPORATE DOCUMENTS, DULY RECORDING THE EVENTS OF MEETINGS IN THE CORRESPONDING MINUTES BOOKS AND WITNESSING BOARD RESOLUTIONS". IN ADDITION, IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 17 OF THE SAME RULES, EACH DIRECTOR IS ENTITLED TO RECEIVE ALL INFORMATION DEEMED REASONABLY NECESSARY TO FULFIL THE DUTIES OF HIS/HER POST AS WELL AND EFFICIENTLY AS POSSIBLE, TO WHICH END HE/SHE MAY STATE SUCH REQUIREMENTS TO THE CHAIRMAN OR SECRETARY OF THE BOARD, WITH THE ADVANCE NOTICE WARRANTED IN EACH SITUATION. LASTLY, ARTICLE 26 OF THE BOARD REGULATIONS PROVIDES THAT "IN ORDER TO RECEIVE ASSISTANCE IN THE DISCHARGE OF THEIR DUTIES, THE BOARD OF DIRECTORS MAY REQUEST THE ATTENDANCE OF LEGAL, ACCOUNTING OR FINANCIAL ADVISORS, OR OTHER EXPERTS, AT MEETINGS. FROM THESE BOARD REGULATION ARTICLES IT IS DEDUCED THAT, ON THE ONE HAND, THE DIRECTORS RECEIVE THE COUNSEL NECESSARY TO DISCHARGE THEIR DUTIES FROM THE SECRETARY IN RELATION TO MATTERS WHICH IN THE LATTER'S CAPACITY AS LEGAL ADVISOR ARE AN INTEGRAL PART OF HIS/HER JOB AND INHERENT TO THE BOARD'S CORRECT FUNCTIONING. SUCH COUNSEL CAN BE REQUESTED OF THE CHAIRMAN OR DIRECTLY OF THE BOARD SECRETARY. IN ADDITION TO COUNSEL FROM THE SECRETARY, THE DIRECTORS ARE ENTITLED TO REQUEST THE ATTENDANCE AT BOARD MEETINGS OF LEGAL, ACCOUNTING, FINANCIAL OR OTHER EXPERTS, WHOSE PRESENCE SHALL BE FORMALISED BY AN INVITATION FROM THE CHAIRMAN OR SECRETARY TO THE BOARD. THE BOARD REGULATIONS DO NOT SET FORTH A SPECIFIC CHANNEL FOR REQUESTING THE COUNSEL OF EXPERT CONSULTANTS; ACCORDINGLY THE GENERAL CHANNEL ESTABLISHED FOR BROAD ADVISORY IS DEEMED APPLICABLE.

B.1.42 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for the meetings of the governing bodies:

Yes

Details of the procedure
IN ADDITION TO THE RELEVANT DULY SUMMARISED AND PREPARED INFORMATION RELATING TO THE BOARD MEETING AGENDAS, ARTICLE 25 OF THE BOARD REGULATIONS EXPRESSLY GRANTS DIRECTORS THE BROADEST POWERS TO KEEP ABREAST OF COMPANY'S ISSUES, TO EXAMINE ITS BOOKS, RECORDS, DOCUMENTS AND OTHER DATA IN RELATION TO CORPORATE TRANSACTIONS AND TO INSPECT ALL ITS FACILITIES. THIS RIGHT TO INFORMATION APPLIES TO ALL COMPANY SUBSIDIARIES, WHETHER SPANISH OR FOREIGN. THE EXERCISE OF THIS RIGHT IS CHANNELLED THROUGH THE CHAIRMAN, VICE CHAIRMAN OR SECRETARY, WHO PROVIDE THE APPROPRIATE EXPERTS WHEN DOING SO IS OF INTEREST TO THE DIRECTOR. IN PRACTICE, AND PURSUANT TO A FORMAL POLICY ADOPTED BY THE BOARD, ITS MEMBERS ARE REQUESTED TO CHANNEL REQUESTS FOR ADDING ISSUES TO THE BOARD AGENDA AND FOR ANY INFORMATION NECESSARY TO FOLLOW UP ON TOPICS DISCUSSED IN PRIOR BOARD MEETINGS THROUGH THE SECRETARY TO THE BOARD.

B.1.43 Indicate whether the company has any rules obliging directors to inform the board of any circumstance that might harm the organization's name or reputation and tendering their resignation as the case may be:

Yes

Explain the rules
THE COMPANY HAS ESTABLISHED THE RULES PROVIDED FOR IN ARTICLES 23 AND 38, THE TEXT OF WHICH IS REPRODUCED BELOW. ARTICLE 38 OF THE BOARD REGULATIONS STIPULATES THAT "THE DIRECTOR SHALL NOTIFY THE COMPANY OF ANY SIGNIFICANT CHANGES IN HIS/HER PROFESSIONAL SITUATION THAT AFFECT THE TERMS UPON WHICH HE/SHE WAS APPOINTED AS DIRECTOR. THE DIRECTOR SHALL ALSO INFORM THE COMPANY OF ANY CLAIM, WHETHER JUDICIAL, ADMINISTRATIVE OR OTHERWISE, IN WHICH HE/SHE MAY BE INVOLVED AND WHOSE SIGNIFICANCE MAY SERIOUSLY HARM THE REPUTATION OF THE COMPANY." ARTICLE 23.C OF THE BOARD REGULATIONS STIPULATES AS GROUNDS FOR DISMISSAL THE SITUATION WHERE A DIRECTOR'S CONTINUED PRESENCE ON THE BOARD JEOPARDISES THE INTERESTS OF THE COMPANY OR WHEN THE REASONS FOR WHICH THEY WERE APPOINTED CEASE TO EXIST.

B.1.44 Indicate whether a member of the board of directors has notified the company that he or she has been indicted or tried for any of the crimes stated in article 124 of the Spanish Companies Act:

No

Indicate whether the board of directors has studied the case. If so, explain the reasons behind the decision taken on whether or not he or she should be called on to resign.

No

Decision taken	Reason given

B.2. Committees to the Board of Directors

B.2.1 List the board committees and their members:

AUDIT COMMITTEE

Name	Position	Directorship
JUAN JOSÉ GUIBELALDE	CHAIRMAN	INDEPENDENT
GUILLERMO DE LA DEHESA ROMERO	MEMBER	INDEPENDENT
LUIS SERRANO MARTÍN	MEMBER	PROPRIETARY

NOMINATION AND REMUNERATION COMMITTEE

Name	Position	Directorship
GUILLERMO DE LA DEHESA ROMERO	CHAIRMAN	INDEPENDENT
CHARLES LARRY POPE	MEMBER	PROPRIETARY
JUAN JOSE GUIBELALDE IÑURRITEGUI	MEMBER	INDEPENDENT
KARIM MICHAEL KHAIRALLAH	MEMBER	PROPRIETARY
YIANNIS PETRIDES	MEMBER	INDEPENDENT

STRATEGY AND INVESTMENT COMMITTEE

Name	Position	Directorship
YIANNIS PETRIDES	CHAIRMAN	INDEPENDENT
CALEB SAMUEL KRAMER	MEMBER	PROPRIETARY
LUIS SERRANO MARTÍN	MEMBER	PROPRIETARY
RICHARD JASPER POULSON	MEMBER	PROPRIETARY

B.2.2 State whether the Audit Committee's responsibilities include:

Monitoring the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.	Yes
Reviewing internal control and risk management systems on a regular basis, so the main risks are properly identified, managed and disclosed.	Yes
Monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, reappointment and removal of the head of internal audit; proposing the department's budget; receiving regular report-backs on its activities; and verifying that senior management is acting on the findings and recommendations of its reports.	Yes
Establishing and supervising a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.	Yes
Making recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement.	Yes
Receiving regular information from the external auditor on the progress and findings of the audit program, and checking that senior management is acting on its recommendations.	Yes
Ensuring the independence of the external auditor.	Yes
In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.	Yes

B.2.3 Describe the organizational and operational rules and the responsibilities attributed to each of the board committees.

Committee name
STRATEGY AND INVESTMENT COMMITTEE
Brief description
UNDER THE PROVISIONS OF ARTICLE 24 OF THE COMPANY'S BYLAWS AND ARTICLE 14 OF THE BOARD REGULATIONS, IT WAS AGREED TO SET UP A STRATEGY AND INVESTMENT COMMITTEE UNDER THE ANALOGOUS ORGANISATIONAL AND OPERATIONAL REGIME PROVIDED FOR IN THE RULES ESTABLISHED IN THE BOARD REGULATIONS FOR THE NOMINATION AND REMUNERATION COMMITTEE. THE FUNCTIONS ATTRIBUTED TO THE STRATEGY COMMITTEE ARE AS FOLLOWS:

-ANALYSING, PROPOSING AND REPORTING TO THE BOARD ON ALL STRATEGIC, INVESTMENT AND DISPOSAL RELATED DECISIONS OF RELEVANCE TO THE COMPANY AND/OR ITS GROUP, AND THEIR ASSESSMENT IN RELATION TO THE COMPANY'S BUDGET AND STRATEGIC PLANNING FUNCTIONS.
-BUSINESS RISK ANALYSIS AND OVERSIGHT.
-PREPARATION AND PRESENTATION TO THE BOARD OF STRATEGIC ANALYSIS OF THE GROUP'S OPERATIONS AND BUSINESSES.

NONETHELESS, THE ABOVE LISTED FUNCTIONS ARE UNDERSTOOD TO BE WITHOUT PREJUDICE TO THE BOARD'S POWERS TO DEFINE AND FOSTER THE COMPANY'S STRATEGIC POLICY AND INVESTMENTS, SPECIFICALLY, BUT NOT LIMITED TO, MATTERS RESERVED TO THE FULL BOARD IN ACCORDANCE WITH ARTICLE 24 OF THE BYLAWS WHICH INCLUDE (I) DECISION-MAKING IN CONNECTION WITH INVESTMENTS IN, THE ACQUISITION OR SALE OF ASSETS OR OPERATIONS WHICH ON ACCOUNT OF THEIR SIZE OF OTHER SPECIAL CHARACTERISTICS ARE STRATEGIC IN NATURE, AND (II) DEFINITION AND APPROVAL OF THE BROAD POLICIES AND STRATEGIES TO BE FOLLOWED BY THE COMPANY, PARTICULARLY IN RELATION TO THE FOLLOWING MATTERS: (A) THE BUSINESS OR STRATEGIC PLAN, MANAGEMENT TARGETS AND ANNUAL BUDGETS; (B) INVESTMENT AND FINANCING POLICY; (C) DEFINITION OF THE GROUP'S CORPORATE STRUCTURE; (D) CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY POLICY; (E) SENIOR MANAGEMENT EVALUATION AND COMPENSATION; (F) RISK CONTROL AND MANAGEMENT; (G) DIVIDEND AND TREASURY SHARE POLICY.

Committee name
NOMINATION AND COMPENSATION COMMITTEE
Brief description
THE NOMINATION AND REMUNERATION COMMITTEE, PURSUANT TO THE REGULATIONS OF THE BOARD OF DIRECTORS, SHALL BE COMPOSED OF A MINIMUM OF THREE AND A MAXIMUM OF FIVE MEMBERS. PRESENTLY, IT IS COMPOSED OF FIVE MEMBERS.

THE BOARD OF DIRECTORS DECIDES ON THE APPOINTMENT AND, WHERE APPROPRIATE, DISMISSAL OF THE MEMBERS OF THE NOMINATION AND REMUNERATION COMMITTEE, OBLIGED IN ALL INSTANCES TO JUSTIFY THE GROUNDS FOR ANY DISMISSAL.

THE BOARD OF DIRECTORS APPOINTS THE COMMITTEE CHAIRMAN, PREFERABLY AN INDEPENDENT DIRECTOR. THE COMMITTEE ITSELF APPOINTS ITS SECRETARY, WHO NEED NOT BE A DIRECTOR.

THE TENURE FOR WHICH COMMITTEE MEMBERS ARE APPOINTED SHALL COINCIDE WITH THE TERMS OF THEIR DIRECTORSHIPS, AND THEY MAY BE RE-ELECTED ONE OR MORE TIMES FOR SIMILAR PERIODS. EFFECTIVENESS OF HIS/HER POST IS HOWEVER CONTINGENT UPON HIS/HER CONTINUED DIRECTORSHIP.
THE COMMITTEE HOLDS MEETINGS AT THE BEHEST OF ITS CHAIRMAN, ON ITS OWN INITIATIVE OR AT THE REQUEST OF AT LEAST TWO OF ITS MEMBERS OR THE BOARD OF DIRECTORS, IN WHICH CASE THE PETITION SHALL BE ADDRESSED TO THE COMMITTEE CHAIRMAN, DETAILING THE PROPOSED AGENDA.

COMMITTEE MEETINGS ARE CALLED BY ITS CHAIR OR, AT HIS/HER BEHEST, BY ITS SECRETARY, WITH AT LEAST TWO DAYS' PRIOR NOTICE, BY LETTER, FACSIMILE, TELEGRAM, ELECTRONIC MAIL OR IN ANY OTHER WRITTEN FORM.

COMMITTEE MEETINGS ARE HELD AT THE REGISTERED BUSINESS ADDRESS OR IN ANY OTHER OF THE COMPANY'S REGISTERED ADDRESSES, AS DETERMINED BY THE COMMITTEE CHAIR, OR AT HIS/HER BEHEST, BY ITS SECRETARY, WHICH LOCATION SHALL BE SPECIFIED IN THE MEETING CALL.

COMMITTEE SESSIONS ARE VALIDLY CALLED TO ORDER WHEN HALF ITS MEMBERS PLUS ONE ARE IN ATTENDANCE, BE IT IN PERSON OR BY VALID PROXY. PROXY REPRESENTATION SHALL BE BESTOWED ON ANOTHER MEMBER OF THE COMMITTEE, IN WRITING AND ADDRESSED TO THE CHAIRMAN.

THE MEMBERS OF THE COMMITTEE SHALL REPORT TO THE BOARD ON THEIR ACTIVITY AT THE FIRST FULL BOARD MEETING FOLLOWING COMMITTEE MEETINGS, DETAILING WORK PERFORMED AND SENDING COPIES OF THE MINUTES OF MEETINGS TO ALL DIRECTORS.

THE COMMITTEE'S DUTIES, PURSUANT TO THE BOARD REGULATIONS, ARE:

(I) TO PROPOSE TO THE BOARD OF DIRECTORS THE ELECTION, RE-ELECTION OR DISMISSAL OF INDEPENDENT DIRECTORS, BASED ON A LIST PREPARED BY OUTSIDE EXPERTS IF SO REQUIRED BY ANY DIRECTOR.

(II) TO REPORT IN ADVANCE ON ALL PROPOSALS MADE BY THE BOARD OF DIRECTORS TO THE GENERAL SHAREHOLDERS' MEETING IN RELATION TO THE RE-ELECTION OF DIRECTORS, EVEN IN INSTANCES OF CO-OPTION BY THE BOARD OF DIRECTORS, ASSESSING JOB PERFORMANCE AND COMMITMENT. PROPOSALS TO RE-ELECT EXTERNAL INDEPENDENT DIRECTORS MAY NOT BE MADE WITHOUT A COMMITTEE REPORT CONFIRMING THAT UPON RE-ELECTION NONE OF THE CIRCUMSTANCES LISTED IN ARTICLE 19 OF THE BOARD REGULATIONS IS MET.

(III) TO REPORT TO THE BOARD OF DIRECTORS ON PROPOSALS TO DISMISS DIRECTORS WHICH, IN THE CASE OF PROPRIETARY OR INDEPENDENT DIRECTORS, MUST BE ACCOMPANIED BY A REPORT JUSTIFYING THE EXCEPTIONAL GROUNDS MAKING THE DISMISSAL NECESSARY OR ADVISABLE.

(IV) TO REPORT, IN ADVANCE, ON ALL PROPOSALS BY THE BOARD OF DIRECTORS TO THE GENERAL SHAREHOLDERS' MEETING IN RELATION TO THE APPOINTMENT OF DIRECTORS, CONSIDERING THE CANDIDATE'S PERSONAL AND PROFESSIONAL CREDENTIALS, AS WELL AS THE NEEDS OF THE COMPANY'S GOVERNING BODIES AT ANY POINT IN TIME.

(V) TO MAKE PROPOSALS TO THE BOARD OF DIRECTORS REGARDING THE REMUNERATION POLICY FOR DIRECTORS AND SENIOR OFFICERS, THE INDIVIDUAL REMUNERATION OF EXECUTIVE DIRECTORS AND OTHER RELATED CONTRACTUAL CONDITIONS AND THE STANDARD CONDITIONS FOR SENIOR OFFICER EMPLOYMENT CONTRACTS, AND TO OVERSEE COMPLIANCE WITH THE REMUNERATION POLICY SET BY THE COMPANY.

(VI) TO REPORT ON ALL PROPOSALS TO BE SUBMITTED TO THE BOARD OF DIRECTORS ON MATTERS CONCERNING DIRECTOR APPOINTMENTS, INCLUDING THE APPOINTMENT OF ONE OR MORE CHIEF EXECUTIVES OR MANAGING DIRECTORS, THE APPOINTMENT OR REMOVAL OF THE SECRETARY OF THE BOARD, TAKING INTO CONSIDERATION LEGAL, BYLAW-STIPULATED AND INTERNAL REQUIREMENTS IN CONNECTION WITH THE CANDIDATES.

(VII) TO REPORT ON ANY PROPOSED RESOLUTIONS SUBMITTED TO THE BOARD OF DIRECTORS REGARDING THE APPOINTMENT AND DISMISSAL OF SENIOR OFFICERS.

(VIII) ANY OTHER FUNCTIONS WITHIN ITS REMIT AS REQUESTED BY THE BOARD OF DIRECTORS OR ITS CHAIRMAN. FOR THE PURPOSES SET OUT ABOVE, ANY DIRECTOR MAY PUT FORWARD DIRECTORSHIP CANDIDATES TO THE COMMITTEE FOR ITS CONSIDERATION.

Committee name
AUDIT COMMITTEE
Brief description
PURSUANT TO THE PROVISIONS OF THE COMPANY BYLAWS, THE COMPANY'S AUDIT COMMITTEE IS COMPOSED OF A MINIMUM OF THREE AND A MAXIMUM OF FIVE MEMBERS, AT THE DISCRETION OF THE COMPANY'S BOARD OF DIRECTORS.

PRESENTLY, IT IS COMPOSED OF THREE MEMBERS. ARTICLE 24 BIS OF THE COMPANY BYLAWS STIPULATES THAT THE BOARD OF DIRECTORS SHALL APPOINT THE MEMBERS OF THE AUDIT COMMITTEE FROM AMONG ITS MEMBERS, THE MAJORITY OF WHICH, AT A MINIMUM, SHOULD BE NON-EXECUTIVE EXTERNAL, INDEPENDENT OR PROPRIETARY DIRECTORS.

THE AUDIT COMMITTEE IS CURRENTLY COMPOSED ENTIRELY OF EXTERNAL INDEPENDENT OR PROPRIETARY DIRECTORS, IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE UNIFIED CODE OF CORPORATE GOVERNANCE.

THE AUDIT COMMITTEE APPOINTS ITS CHAIRMAN FROM AMONG ITS NON-EXECUTIVE OR EXTERNAL MEMBERS, AS WELL AS THE SECRETARY, WHO NEED NOT BE A DIRECTOR. PRESENTLY, JOSÉ GUIBELALDE IÑURRITEGUI IS THE CHAIRMAN AND ALFREDO SANFÉLIZ, SECRETARY OF THE BOARD, IS THE COMMITTEE'S SECRETARY.

THE COMMITTEE HOLDS MEETINGS AT THE BEHEST OF ITS CHAIRMAN, ON ITS OWN INITIATIVE OR AT THE REQUEST OF AT LEAST TWO OF ITS MEMBERS OR OF THE BOARD OF DIRECTORS, IN WHICH CASE THE PETITION SHALL BE ADDRESSED TO THE COMMITTEE CHAIRMAN, DETAILING THE PROPOSED AGENDA. COMMITTEE MEETINGS ARE CALLED BY ITS CHAIR OR, AT HIS/HER BEHEST, BY ITS SECRETARY, WITH AT LEAST TWO DAYS' PRIOR NOTICE, BY LETTER, FACSIMILE, TELEGRAM, ELECTRONIC MAIL OR IN ANY OTHER WRITTEN FORM.

COMMITTEE SESSIONS ARE VALIDLY CALLED TO ORDER WHEN HALF ITS MEMBERS PLUS ONE ARE IN ATTENDANCE, BE IT IN PERSON OR BY VALID PROXY. PROXY REPRESENTATION SHALL BE BESTOWED ON ANOTHER MEMBER OF THE COMMITTEE IN WRITING.

THE CHAIRMAN ADDRESSES DEBATES AND DISCUSSIONS, GRANTING THE FLOOR, AS HE CONSIDERS APPROPRIATE.

DIRECTORS WHO ARE NOT MEMBERS OF THE COMMITTEE, MEMBERS OF THE MANAGEMENT TEAM AND EMPLOYEES ARE OBLIGED TO ASSIST AND REPORT TO THE AUDIT COMMITTEE, AT THE BEHEST OF ITS CHAIRMAN, OR AT THE CHAIRMAN'S BEHEST, BY THE COMMITTEE SECRETARY, ON SUBJECTS FALLING UNDER THE COMMITTEE'S REMIT.

RESOLUTIONS ARE RATIFIED BY THE MAJORITY OF MEMBERS PRESENT IN PERSON OR BY PROXY. IN THE EVENT OF A DRAW, THE CHAIRMAN SHALL HAVE THE CASTING VOTE. THE SECRETARY SHALL PREPARE THE MINUTES FROM THE MEETINGS, WHICH SHALL BE APPROVED ONCE THE SESSION IS ADJOURNED OR IN THE VERY NEXT MEETING. THE MINUTES ARE TRANSCRIBED TO A SPECIAL MINUTES REGISTER BOOK FOR RESOLUTIONS AND DECISIONS ADOPTED BY THE AUDIT COMMITTEE.

THE COMPANY BYLAWS EMPOWER THE AUDIT COMMITTEE TO REGULATE ITSELF IN RELATION TO ALL ISSUES NOT EXPRESSLY PROVIDED FOR THEREIN. HOWEVER, THE COMMITTEE HAS NOT EXERCISED THIS POWER YET AS IT HAS DEEMED SO DOING UNNECESSARY.

THE AUDIT COMMITTEE'S STATUTORY FUNCTIONS ARE AS FOLLOWS:

I) WITH RESPECT TO THE INFORMATION AND INTERNAL CONTROL SYSTEMS, TO OVERSEE THE INTERNAL AUDIT SERVICES AND REMAIN ABREAST OF THE COMPANY'S FINANCIAL INFORMATION PROCESSES AND INTERNAL CONTROL SYSTEMS, A ROLE WHICH EXTENDS TO THE FOLLOWING FUNCTIONS:

A) OVERSEE THE PREPARATION PROCESS FOR AND INTEGRITY OF THE FINANCIAL INFORMATION RELATING TO THE COMPANY, AND WHERE APPLICABLE, TO THE GROUP, CHECKING COMPLIANCE WITH THE APPLICABLE STATUTORY REQUIREMENTS AND THE CORRECT CONSOLIDATION OF ACCOUNTS AND APPLICATION OF ACCOUNTING RULES.

B) PERIODICALLY REVIEW THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS SO THAT THE MAIN RISKS ARE IDENTIFIED AND APPROPRIATELY REPORTED.

C) ENSURE THE INDEPENDENCE AND EFFICIENCY OF THE COMPANY'S INTERNAL AUDIT.

D) ESTABLISH A MECHANISM ALLOWING EMPLOYEES TO REPORT ON A CONFIDENTIAL BASIS ANY IRREGULARITIES OF POTENTIAL SIGNIFICANCE IN FINANCIAL AND ACCOUNTING TERMS THAT THEY MAY HAVE NOTED AT THE COMPANY.

II) WITH RESPECT TO THE COMPANY'S EXTERNAL AUDITORS:

A) SUBMIT TO THE BOARD OF DIRECTORS, FOR SUBSEQUENT REFERRAL TO THE GENERAL SHAREHOLDERS MEETING, ANY PROPOSALS FOR THE SELECTION, APPOINTMENT, RE-ELECTION AND REPLACEMENT OF THE EXTERNAL AUDITOR, AS WELL AS THE TERMS AND CONDITIONS FOR THEIR ENGAGEMENT.

B) RECEIVE INFORMATION ON A REGULAR BASIS FROM THE EXTERNAL AUDITOR ON THE AUDIT PLAN AND RESULTS FOR THE YEAR, AND CHECK THAT SENIOR MANAGEMENT TAKES INTO ACCOUNT ANY RECOMMENDATIONS.

C) ENSURE THE INDEPENDENCE OF THE EXTERNAL AUDITOR, ENSURING TO SUCH END THAT:

(I) THE COMPANY NOTIFY ANY CHANGE OF AUDITOR TO THE SECURITIES REGULATOR, THE CNMV, AS A SIGNIFICANT EVENT, ACCOMPANIED BY A STATEMENT OF ANY DISAGREEMENTS ARISING WITH THE OUTGOING AUDITOR.

(II) THE COMMITTEE GUARANTEES THAT THE COMPANY AND THE AUDITOR ADHERE TO CURRENT REGULATIONS ON THE PROVISION OF NON-AUDIT SERVICES, THE LIMITS ON THE CONCENTRATION OF THE AUDITOR'S BUSINESS AND, IN GENERAL, OTHER REQUIREMENTS DESIGNED TO SAFEGUARD AUDITORS' INDEPENDENCE; AND

(III) IN THE EVENT THAT THE EXTERNAL AUDITOR RESIGNS, THAT THE COMMITTEE INVESTIGATE THE CIRCUMSTANCES GIVING RISE TO THIS DECISION.

D) ENCOURAGE THE ASSUMPTION BY THE AUDITORS OF THE GROUP OF COMPANIES THE AUDITING OBLIGATIONS OF THE COMPANIES FORMING SUCH GROUP.

E) IN GENERAL, MANAGE THE RELATIONSHIP AND SERVE AS A COMMUNICATIONS CHANNEL WITH THE EXTERNAL AUDITORS IN ORDER TO REMAIN ABREAST OF ISSUES WHICH COULD JEOPARDISE THE LATTER'S INDEPENDENCE AND ANY OTHER MATTERS RELATED TO THE ACCOUNT AUDITING PROCESS, AS WELL AS COMMUNICATING ANY OTHER MATTERS PROVIDED FOR IN PREVAILING AUDITING LEGISLATION AND ACCOUNTING STANDARDS.

III) WITH RESPECT TO CORPORATE GOVERNANCE, OVERSEE COMPLIANCE WITH THE COMPANY'S INTERNAL CODES OF CONDUCTS AND THE CORPORATE GOVERNANCE RULES ESTABLISHED BY THE COMPANY FROM TIME TO TIME.

IV) WITH RESPECT TO REPORTING TO THE COMPANY'S MANAGEMENT BODIES:

A) REPORT AT THE GENERAL SHAREHOLDERS' MEETING ON THOSE MATTERS RAISED BY SHAREHOLDERS CONCERNING THE AREAS FALLING UNDER ITS REMIT.

B) REPORT TO THE BOARD OF DIRECTORS, PRIOR TO ITS ADOPTION OF THE RELEVANT RESOLUTIONS, ON THE FOLLOWING MATTERS: (I) THE FINANCIAL INFORMATION THAT THE COMPANY, AS A LISTED COMPANY, MUST PUBLISH ON A PERIODIC BASIS; (II) THE CREATION OR ACQUISITION OF HOLDINGS IN SPECIAL PURPOSE VEHICLES OR COMPANIES DOMICILED IN TAX HAVENS, AS WELL AS ANY OTHER TRANSACTIONS OR OPERATIONS OF A SIMILAR NATURE, WHICH ON ACCOUNT OF THEIR COMPLEXITY MAY UNDERMINE TRANSPARENCY AT THE GROUP; (III) RELATED-PARTY TRANSACTIONS.

B.2.4 Indicate advisory or consulting powers and, where applicable, the powers delegated to each of the committees:
Committee name
STRATEGY AND INVESTMENT COMMITTEE
Brief description
ANALYSIS, PROPOSALS AND REPORTS TO THE BOARD ON ALL STRATEGIC, INVESTMENT AND DISPOSAL RELATED DECISIONS OF RELEVANCE TO THE COMPANY AND/OR ITS GROUP, AND THEIR ASSESSMENT IN RELATION TO THE COMPANY'S BUDGET AND STRATEGIC PLANNING FUNCTIONS AND PRESENTATION TO THE BOARD OF ITS STRATEGIC ANALYSIS OF THE GROUP'S OPERATIONS AND BUSINESS.
Committee name
NOMINATION AND REMUNERATION COMMITTEE
Brief description
WITHIN THE SCOPE OF THE DUTIES LISTED ABOVE, IN ADDITION TO THE PREPARATION OF PROPOSALS AND REPORTS, THE ROLE OF THE COMMITTEE CAN BE GENERALLY DESCRIBED AS CONSULTATIVE, ADVISORY AND INFORMATIVE.
Committee name
AUDIT COMMITTEE
Brief description
WITHOUT PREJUDICE TO THE POWERS GRANTED TO IT BY LAW OR BY VIRTUE OF THE COMPANY BYLAWS, THE AUDIT COMMITTEE PROVIDES GENERAL ADVISORY SERVICES IN MATTERS FALLING UNDER ITS REMIT.

B.2.5 Indicate, if applicable, any regulations governing the Board committees, where they are made available for consultation and any amendments to the same made during the financial year. Also indicate whether any annual report has been voluntarily drawn up on the activities of each committee.

Committee name
STRATEGY AND INVESTMENT COMMITTEE
Brief description
THE STRATEGY AND INVESTMENT COMMITTEE IS NOT SELF-REGULATED. THE COMMITTEE ITSELF HAS NOT DEEMED IT NECESSARY TO EXERCISE ITS RIGHT TO SELF-REGULATION.

THE RULES GOVERNING THE COMMITTEE ARE SET FORTH IN ARTICLE 24 OF THE BYLAWS.

ALL THESE RULES ARE AVAILABLE ON THE COMPANY'S WEBSITE.

Committee name
NOMINATION AND REMUNERATION COMMITTEE
Brief description
THE RULES GOVERNING THE NOMINATION AND REMUNERATION COMMITTEE ARE SET FORTH IN ARTICLE 24 OF THE BYLAWS AND IN SEVERAL ARTICLES OF THE BOARD REGULATIONS.

THE NOMINATION AND REMUNERATION COMMITTEE DOES NOT HAVE ITS OWN REGULATIONS. THE COMMITTEE ITSELF HAS NOT DEEMED IT NECESSARY TO EXERCISE ITS RIGHT TO SELF-REGULATION.

NONETHELESS, ARTICLE 15 OF THE BOARD REGULATIONS INCLUDES THE REGULATION OF THE NOMINATION AND REMUNERATION COMMITTEE WITH RESPECT TO ITS FUNCTIONS, RULES GOVERNING ITS COMPOSITION, APPOINTMENT AND DISMISSAL OF ITS MEMBERS, ITS CHAIRMANSHIP, SECRETARY, NOTICES AND MEETING SCHEDULING AND QUORUMS. THE AFOREMENTIONED ARTICLE 15 WAS AMENDED SLIGHTLY IN 2008 TO BRING THE TENURE FOR COMMITTEE MEMBERS IN LINE WITH THE DIRECTORSHIP TERMS SET FORTH IN THE COMPANY'S BYLAWS.

ARTICLE 19 OF THE COMPANY BYLAWS STIPULATES THAT PROPOSALS TO APPOINT, RE-ELECT OR DISMISS DIRECTORS SUBMITTED TO THE GENERAL SHAREHOLDERS' MEETING AT THE BEHEST OF THE BOARD OF DIRECTORS SHALL BE MADE SUBJECT TO A PROPOSAL BY THE NOMINATION AND REMUNERATION COMMITTEE, IN THE CASE OF INDEPENDENT DIRECTORS, BASED ON A LIST DRAWN UP FOR THIS PURPOSE BY EXTERNAL EXPERTS IF SO REQUIRED BY ANY DIRECTOR, AND A REPORT BY THE COMMITTEE IN THE CASE OF ALL OTHER DIRECTORS.

ALL THESE RULES ARE AVAILABLE ON THE COMPANY'S WEBSITE.

Committee name
AUDIT COMMITTEE
Brief description
ARTICLE 24 OF THE COMPANY BYLAWS GOVERNS THE COMPOSITION, APPOINTMENT AND PROCEDURES OF THE AUDIT COMMITTEE, ARTICLE 24 BIS COVERS MEETING NOTICES, THE CHAIR AND REMUNERATION, ARTICLE 24 TER THE CALLING OF COMMITTEE MEETINGS, QUORUMS, RESOLUTIONS, MINUTES, SECRETARY AND PROCEDURES AND FINALLY ARTICLE 24 QUARTER THE FUNCTIONS OF THE AUDIT COMMITTEE.

ALL THESE RULES ARE AVAILABLE ON THE COMPANY'S WEBSITE AND A REPORT OF ITS ACTIVITIES IS PROVIDED AT EACH GENERAL SHAREHOLDERS' MEETING.

B.2.6 Indicate whether the composition of the executive committee reflects the participation within the board of the different types of directors:

No

If not, describe the composition of the Executive Committee
There is no such committee.

C RELATED PARTY TRANSACTIONS

C.1 Indicate whether the board in full has the right to approve, based on a favorable report by the Audit Committee or some other committee handling the same function, transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other personal related thereto:

Yes

C.2 List any relevant transactions entailing a transfer of resources or obligations between the company or its group companies and the significant shareholders in the company:

Name or company name of significant shareholder	Name or company name of the company or its group company	Nature of the relationship	Transaction type	Amount (thousands of euros)
SMITHFIELD FOODS, INC.	CAMPOFRÍO FOOD GROUP, S.A.	CONTRACTUAL WITH SMITHFIELD GLOBAL PRODUCTS	Rendering of services	21
SMITHFIELD FOODS, INC.	CAMPOFRÍO FOOD GROUP, S.A.	CONTRACTUAL WITH SMITHFIELD GLOBAL PRODUCTS INC.	Purchase of goods (finished and in-progress)	22
SMITHFIELD FOODS, INC.	CAMPOFRÍO FOOD GROUP, S.A.	CONTRACTUAL WITH SMITHFIELD EUROPE PRODUCTS	Receipt of services	19
SMITHFIELD FOODS, INC.	CAMPOFRÍO FOOD GROUP, S.A.	CONTRACTUAL WITH SMITHFIELD GLOBAL PRODUCTS	Sale of goods (finished and in-progress)	903
SMITHFIELD FOODS, INC.	CAMPOFRÍO FOOD GROUP, S.A.	CONTRACTUAL WITH AOSTE	Purchase of goods (finished and in-progress)	709
SMITHFIELD FOODS, INC.	CAMPOFRÍO FOOD GROUP, S.A.	CONTRACTUAL CON AOSTE	Sale of goods (finished and in-progress)	686
SMITHFIELD FOODS, INC.	CAMPOFRÍO FOOD GROUP, S.A.	CONTRACTUAL WITH SOCIEDAD ANIMEX	Purchase of goods (finished and in-progress)	9
SMITHFIELD FOODS, INC.	CAMPOFRÍO FOOD GROUP, S.A.	CONTRACTUAL WITH SOCIEDAD JEAN CABY	Purchase of goods (finished and in-progress)	1.571
SMITHFIELD FOODS, INC.	CAMPOMOS	CONTRACTUAL CON ANIMEX	Purchase of goods (finished and in-progress)	30
SMITHFIELD FOODS INC	S.C. TABCO- CAMPOFRÍO S.A. TULCEA	CONTRACTUAL WITH AGROLIM DISTRIBUTION SRL	Purchase of goods (finished and in-progress)	9
SMITHFIELD FOODS INC	S.C. TABCO- CAMPOFRÍO S.A. TULCEA	CONTRACTUAL WITH SMITHFIELD PRODUCTS SRL	Receipt of services	14
SMITHFIELD FOODS INC	S.C. TABCO- CAMPOFRÍO S.A. TULCEA	CONTRACTUAL CON ANIMEX	Purchase of goods (finished and in-progress)	137
SMITHFIELD FOODS INC	S.C. TABCO- CAMPOFRÍO S.A. TULCEA	CONTRACTUAL WITH SMITHFIELD PROCESARE SRL	Purchase of goods (finished and in-progress)	702
SMITHFIELD FOODS INC	S.C. TABCO- CAMPOFRÍO S.A. TULCEA	CONTRACTUAL WITH FRIGORIFER SA	Receipt of services	52
CAJA DE AHORROS MUNICPAL DE BURGOS	CAMPOFRÍO FOOD GROUP, S.A.	CONTRACTUAL	Sale of goods (finished and in-progress)	3

C.3 List any relevant transactions entailing a transfer of resources or obligations between the company or its group companies and the company's managers or directors:

C.4 List any relevant transaction undertaken by the company with other companies in its group that are not eliminated upon financial statement consolidation and whose purpose and conditions are other than the company's ordinary course of business:

C.5 Indicate whether the members of the Board of Directors have had any conflicts of interest during the year within the meaning of article 127 ter of the Spanish Companies Act.

Yes

Name or company name of director
LUIS SERRANO MARTÍN
Description of the conflict of interest
COMMERCIAL RELATIONSHIPS WITH CAMPOFRÍO FOOD GROUP SA AND MONTANERA SA AND AGROIBERICOS DERAZA SL, WHICH IS CONTROLLED BY A BROTHER-IN-LAW OF LUIS SERRANO AND IN WHICH THE LATTER OWNS AN INDIRECT STAKE OF LESS THAN 5%. THE TOTAL AMOUNT OF SUPPLIES PURCHASED FROM AGROIBÉRICOS DERAZA, S.L. IN 2008 WAS 17,661 THOUSAND EUROS. LIKEWISE, THIS COMPANY PURCHASED PRODUCTS FROM CAMPOFRÍO FOOD GROUP S.A. IN THE AMOUNT OF 34 THOUSAND EUROS. MEANWHILE, LA MONTANERA S.A., A 100%-OWNED SUBSIDIARY OF CAMPOFRÍO ALSO SOLD PRODUCTS TO AGROIBERICOS DERAZA S.L IN THE AMOUNT OF 7,667 THOUSAND EUROS. AGROIBERICOS OWNS 30% OF BAÑUSTE S.L.. THIS COMPANY PURCHASED PRODUCTS FROM LA MONTANERA IN THE AMOUNT OF 1.312 THOUSAND EUROS.

COMMERCIAL RELATIONSHIPS BETWEEN CAMPOFRÍO FOOD GROUP SA AND SEDA SOLUBLES SA, A COMPANY IN WHICH MR. SERRANO HOLDS AN INDIRECT STAKE OF 29%. CAMPOFRÍO PAID THIS ENTITY 39 THOUSAND EUROS UNDER A LEASE ARRANGEMENT AND SOLD IT PRODUCTS IN THE AMOUNT OF 4 THOUSAND EUROS.

COMMERCIAL RELATIONSHIPS WITH CASA DEL ARMIÑO SA, WHICH IS CONTROLLED BY A BROTHER-IN-LAW OF LUIS SERRANO AND IN WHICH THE LATTER OWNS AN INDIRECT STAKE OF LESS THAN 5%. CAMPOFRÍO SOLD THIS COMPANY PRODUCTS IN THE AMOUNT OF 26 THOUSAND EUROS.

Name or company name of director
PEDRO JOSE BALLVE LANTERO

Description of the conflict of interest
COMMERCIAL RELATIONSHIPS WITH TELE PIZZA, WHICH PEDRO JOSE BALLVE CHAIRS AND IN WHICH HE HOLDS AN INDIRECT OWNERSHIP INTEREST OF 22.5%. CAMPOFRÍO SOLD THIS COMPANY PRODUCTS FOR 124 THOUSAND EUROS AND PURCHASED PRODUCTS FROM A TELE PIZZA GROUP COMPANY FOR 365 THOUSAND EUROS. CAMPOFRÍO PORTUGAL MEANWHILE PURCHASED PRODUCTS IN THE AMOUNT OF 2 THOUSAND EUROS.

COMMERCIAL RELATIONSHIPS BETWEEN CAMPOFRÍO AND DESARROLLO GANADERO ESPAÑOL, S.A., A COMPANY IN WHICH PEDRO BALLVE HOLDS AN INDIRECT STAKE OF 38%. CAMPOFRÍO ADQUIRED THIS COMPANY PRODUCTS IN THE AMOUNT OF 1,903 THOUSAND EUROS.

C.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

TRANSACTIONS IN WHICH THERE IS A POTENTIAL CONFLICT OF INTEREST ARE ANALYSED BY THE BOARD OF DIRECTORS SUBJECT TO A PRIOR REPORT BY THE AUDIT COMMITTEE. THE IMPLICATED PARTY DOES NOT ATTEND RELATED DISCUSSIONS. THE AUDIT COMMITTEE ESTABLISHES THE MECHANISMS FOR SAFEGUARDING AGAINST RISK OF CONFLICTS AND MAKES PROPOSALS TO THE BOARD IN THIS REGARD.

FURTHER, IN THIS CONNECTION, ARTICLE 31 OF THE BOARD REGULATIONS PROVIDES THAT "IN COMPLIANCE WITH HIS/HER DUTY OF LOYALTY, A DIRECTOR SHALL AVOID ANY CONFLICT OF INTEREST SITUATIONS BETWEEN (I) HIM/HER AND/OR HIS/HER CLOSEST RELATIVES OR RELATED COMPANIES, INCLUDING FOR THESE PURPOSES THE COMPANY WHICH HAS APPOINTED HIM/HER AS ITS REPRESENTATIVE IN THE BOARD, AND (II) THE COMPANY, AND SHALL REPORT ANY SUCH SITUATIONS TO THE BOARD OF DIRECTORS IF THE SAME PROVE TO BE UNAVOIDABLE. IN PARTICULAR:

1. THE DIRECTORS SHALL REFRAIN FROM ATTENDING AND PARTICIPATING IN DISCUSSIONS WHICH MAY AFFECT MATTERS IN WHICH THEY HAVE A PERSONAL INTEREST.

2. A DIRECTOR SHALL NOT ENGAGE IN PROFESSIONAL OR COMMERCIAL TRANSACTIONS WITH THE COMPANY, WHETHER DIRECTLY OR INDIRECTLY, UNLESS HE/SHE REPORTS THE CONFLICT OF INTEREST IN ADVANCE, AND THE BOARD OF DIRECTORS APPROVES THE TRANSACTION".

IN ADDITION, THE COMPANY'S ETHICS CODE ESTABLISHES IN ARTICLE 6.4 THEREOF ACKNOWLEDGEMENT AND ACCEPTANCE OF THE POSSIBILITY THAT ITS DIRECTORS, OFFICERS AND EMPLOYEES MAY PARTICIPATE IN BUSINESS INITIATIVES OTHER THAN THOSE OF THE CAMPOFRÍO GROUP, SO LONG AS SO DOING DOES NOT JEOPARDISE THE INTERESTS OF THE GROUP. NONETHELESS, THE DIRECTORS, OFFICERS AND EMPLOYEES MAY NOT WORK ON THEIR OWN BEHALF OR ON BEHALF OF THIRD PARTIES FOR COMPANIES THAT MAY COMPETE DIRECTLY OR INDIRECTLY WITH THE GROUP.

IN ACCORDANCE WITH THIS ETHICS CODE, ALL DIRECTORS, OFFICERS AND EMPLOYEES, IN DISCHARGING THEIR DUTIES, TAKING DECISIONS AND ACTIONS MUST PRIORITISE THE INTERESTS OF THE GROUP OVER THEIR OWN PERSONAL INTERESTS OR THOSE OF THIRD PARTIES. SIMILARLY THEY SHALL ABSTAIN FROM INFLUENCING OR TAKING FINANCING DECISIONS OR UNDERTAKING TRANSACTIONS WITH THIRD PARTIES WITH WHOM THEY OR A CLOSE RELATIVE MAY BE RELATED. DIRECTORS, OFFICERS AND EMPLOYEES, AND ANY RELATED THIRD PARTY, MAY NOT BENEFIT FROM A BUSINESS SITUATION OR OPPORTUNITY RELATED TO THE BUSINESS OF THE CAMPOFRÍO GROUP THAT MAY ARISE IN THE COURSE OF THEIR POSITION AS DIRECTOR, OFFICER OR EMPLOYEE. NOR MAY THEY RECEIVE GUARANTEES AGAINST OBLIGATIONS AS A RESULT OF THEIR POSITIONS AT THE GROUP.

ANY POTENTIAL CONFLICT OF INTEREST PERCEIVED BY A DIRECTOR, OFFICER OR EMPLOYEE MUST BE NOTIFIED TO THE CORPORATE ETHICS COMMITTEE WHICH SHALL ISSUE A BINDING RULING ON THE ACTIONS TO BE TAKEN TO RESOLVE SAID CONFLICT.

C.7 Is more than one group company listed in Spain?

No

Identify subsidiaries listed in Spain:

D RISK CONTROL SYSTEMS

D.1 Give a general description of risk policy at the company and/or its group, detailing and evaluating the risks hedged by the system, as well as an explanation of the extent to which these systems match the profile of each type of risk.

THE CAMPOFRÍO GROUP UNDERTAKES CONTINUOUS FOLLOW-UP OF THE POTENTIAL RISKS TO THE GROUP'S VARIOUS COMPANIES. THE MAIN RISK MANAGEMENT TOOL IS THE RISK MANAGEMENT MODEL WHICH IS APPLIED HETEROGENEOUSLY THROUGHOUT THE GROUP'S COMPANIES. IT IS DESIGNED TO EVALUATE EACH OF THE POTENTIAL RISKS TO THE COMPANIES AND TO DETERMINE THE DEGREE OF CONTROL THAT CAN BE EXERCISED OVER EACH ONE. THE MAIN ELEMENTS OF THIS MODEL ARE THE FOLLOWING:

- A COMPLETE INVENTORY OF RISKS TO EACH BUSINESS DIVISION AND SUBSIDIARY, RANKED AS A FUNCTION OF PROBABILITY OF OCCURRENCE AND THEIR POTENTIAL IMPACT. WITHIN THE INVENTORY, THE CONTROLS IN PLACE ASSOCIATED WITH EACH RISK ARE EVALUATED AND MEASURED WITH THE AIM OF LIMITING THE LIKELIHOOD OF MATERIALISATION AND THEIR IMPACT, AND TO ENSURE THAT THE COMPANY'S GOALS AND TARGETS WILL BE ACHIEVED IN AN EFFICIENT AND ECONOMIC MANNER.

- A RISK CHART, WHICH RANKS BY IMPORTANCE ALL RISKS REQUIRING SPECIFIC MONITORING AND FOLLOW-UP.

- AN INTERNAL AUDIT RISK REVIEW PROGRAM, WHICH PRIORITISES IN TIME THE REVIEW OF THE BUSINESS ACTIVITIES WITH THE GREATEST CONCENTRATION OF RISK. HOWEVER, THE PLAN ENSURES THAT ALL THE BUSINESS AREAS AND THEIR RISKS ARE AUDITED AT LEAST EVERY FOUR YEARS. EACH YEAR, A REVIEW SCHEDULE AND PROGRAM IS PUT FORWARD BY THE INTERNAL AUDIT DEPARTMENT AND APPROVED BY THE AUDIT COMMITTEE. THE PROGRAM ALSO SETS FORTH A PROCEDURE FOR FOLLOWING UP, SUPERVISING AND ENSURING THAT THE INITIATIVES PROPOSED AND RATIFIED WITH MANAGEMENT ARE EFFECTIVELY IMPLEMENTED.

- AN INVENTORY OF SPECIFIC RISKS OF POTENTIAL FRAUD RELATED TO THE GROUP'S BUSINESS AND RELATED CONTROLS. A PLAN TO REINFORCE CONTROLS IN THE MAIN AREAS AND ONGOING MONITORING OF DATA VIA INDICATORS/ALERTS TO PRE-EMPT ANY INCIDENT.

- A MECHANISM TO ENABLE EMPLOYEES TO CONFIDENTIALLY REPORT ON ANY IRREGULARITIES OR BREACHES DETECTED IN THE GROUP'S ACTIVITIES FOR EVALUATION BY PERSONNEL FROM THE INTERNAL AUDIT DEPARTMENT, LEGAL ADVISORY SERVICES AND THE AUDIT COMMITTEE, AND CORRECTED, IF WARRANTED, VIA SUBSEQUENT MANAGEMENT DECISIONS.

- CONSTANT AND SYSTEMATIC UPDATING OF THE INTERNAL CORPORATE RULES AND PROCEDURES THAT GOVERN THE GROUP'S VARIOUS ACTIVITIES, BRINGING RISK CONTROL POLICIES IN LINE AND CREATING MECHANISMS FOR IDENTIFYING WAYS TO INCREASE PRODUCTIVITY.

THE INTERNAL AUDIT DEPARTMENT IS CHARGED WITH MAINTAINING AND ADMINISTERING THE RISK MANAGEMENT MODEL, AND WITH REPORTING PERIODICALLY ON THE RESULTS OF ITS WORK TO THE AUDIT COMMITTEE.

THE RISK CATEGORIES INCLUDED IN THE MODEL ARE AS FOLLOWS:

- BUSINESS RISKS, INCLUDING OPERATING, FINANCIAL, INTEGRITY, FOOD HYGIENE & SAFETY AND ENVIRONMENTAL RISKS, AS WELL AS THOSE ASSOCIATED WITH THE COMPANY'S IMAGE AND BRAND.

- INFORMATION RISKS, INCLUDING RISKS IN RELATION TO OPERATING AND FINANCIAL INFORMATION AND STRATEGIC EVALUATION.

- ECONOMIC ENVIRONMENTAL RISK, DERIVED FROM MACROECONOMIC EVENTS AND THE GROUP'S COUNTRIES OF OPERATION, AMONG OTHER FACTORS.

D.2 Indicate whether during the year any of the different types of risk (operational, technological, financial, legal, reputational fiscal, etc.) to which the company and/or its group is exposed materialized:

No

If so, indicate the circumstances causing these risks and whether the established control systems worked.

D.3 Indicate whether there is a committee or other governing body in charge of establishing and supervising these control systems.

Yes

If so, detail their functions.

Name of committee or body
AUDIT COMMITTEE
Description of functions
THE BOARD OF DIRECTORS HAS DELEGATED TO THE AUDIT COMMITTEE RESPONSIBILITY FOR ANALYSING AND EVALUATING THE MAIN BUSINESS RISKS AND THEIR MANAGEMENT AND CONTROL SYSTEMS ON A REGULAR BASIS. THE COMMITTEE THUS SUPERVISES THE EFFICIENCY AND EFFICACY OF THE INTERNAL CONTROL SYSTEMS, THEREBY ENSURING THE ACCURACY AND RELIABILITY OF THE FINANCIAL STATEMENTS AND ANY OTHER FINANCIAL-ACCOUNTING INFORMATION REQUIRED BY THE PERTINENT AUTHORITIES. THE BOARD OF DIRECTORS IS KEPT ABREAST OF ANY RELEVANT ISSUES ARISING FROM THIS SUPERVISORY PROCESS AND RESERVES THE AUTHORITY TO APPROVE RISK CONTROL AND MANAGEMENT POLICY AND TO CONDUCT PERIODIC FOLLOW-UP OF THE INFORMATION AND CONTROL SYSTEMS.
AS A CONSULTATIVE BODY FOR THE BOARD OF DIRECTORS, THE AUDIT COMMITTEE RELIES ON THE INTERNAL AUDIT DEPARTMENT TO REPORT ANY IRREGULARITIES OR BREACHES DETECTED IN AUDITED ACTIVITIES, WHICH MUST BE NOTIFIED TO THE BOARD WHEN THEY ARE CONSIDERED TO POSE A MATERIAL THREAT TO THE GROUP.
IT ALSO HAS IN PLACE AND OVERSEES A MECHANISM, INCLUDED IN THE GROUP'S ETHICS CODE, ALLOWING EMPLOYEES TO REPORT ON A CONFIDENTIAL BASIS ANY IRREGULARITIES OF POTENTIAL SIGNIFICANCE THEY MAY HAVE NOTED AT THE GROUP.
FINALLY, IT IS IN CHARGE OF MONITORING THE INDEPENDENCE OF THE INTERNAL AUDIT FUNCTION, PROPOSING THE DEPARTMENT'S STRUCTURE AND ENSURING THAT SENIOR OFFICERS ARE ACTING ON THE FINDINGS AND RECOMMENDATIONS OF ITS REPORTS.

D.4 Identify and describe the processes for ensuring compliance with the regulations applicable to the company and/or its group.

ONE OF THE BASIC OBJECTIVES OF THE CAMPOFRÍO GROUP'S RISK MANAGEMENT MODEL IS COMPLIANCE WITH ALL PREVAILING LEGISLATION AND REGULATIONS APPLICABLE TO THE GROUP AND ITS ACTIVITIES. MORE SPECIFICALLY, THE GROUP HAS SET UP DEDICATED UNITS TO CONTROL THIS KIND OF RISK, NOTABLY THE LEGAL ADVISORY, ENGINEERING, QUALITY CONTROL AND ENVIRONMENTAL DEPARTMENTS.

E THE GENERAL SHAREHOLDERS' MEETING

E.1 Indicate and detail any differences between minimum regimes set forth in the Spanish Companies Act and the quorum for validly calling the Shareholders' Meeting to order.

Yes

	% quorum different to art. 102 of the Spanish Companies Act for voting on general budgets	% quorum different to art. 103 of the Spanish Companies Act for voting on special matters included in art. 103
Quorum required at first call	0	65.00
Quorum required at second call	0	50.00

Description of the differences

IN CONTRAST TO THE PROVISIONS OUTLINED IN ARTICLE 103 OF THE SPANISH COMPANIES ACT, ARTICLE 15 OF THE COMPANY'S BYLAWS STIPULATES A STRICTER THAN STANDARD QUORUM FOR THE RATIFICATION AT THE GENERAL SHAREHOLDERS' MEETING OF CERTAIN RESOLUTIONS, NAMELY THE ISSUANCE OF OBLIGATIONS, AN INCREASE OR DECREASE IN CAPITAL, REORGANISATIONS, THE TRANSFORMATION, MERGER OR SPIN-OFF OF THE COMPANY AND, IN GENERAL, ANY MODIFICATION TO THE COMPANY'S BYLAWS, FOR WHICH THE ATTENDANCE OF SHAREHOLDERS, IN PERSON OR BY PROXY, REPRESENTING AT LEAST SIXTY-FIVE PER CENT OF THE SUBSCRIBED VOTING SHARE CAPITAL, WILL BE NECESSARY, AT FIRST CALL. AT SECOND CALL, ATTENDANCE OF SHAREHOLDERS REPRESENTING FIFTY PER CENT OF SAID CAPITAL SHALL BE SUFFICIENT.

RATIFICATION OF THE RESOLUTIONS OUTLINED IN THE PARAGRAPH ABOVE SHALL REQUIRE, AT BOTH FIRST AND SECOND CALL, THE FAVOURABLE VOTE OF THE MAJORITY OF THE VOTING CAPITAL PRESENT OR VALIDLY REPRESENTED BY PROXY AT THE MEETING, SO LONG AS THIS MAJORITY REPRESENTS AT LEAST FORTY-FIVE PER CENT OF SUBSCRIBED VOTING SHARE CAPITAL.

E.2 Indicate and detail any differences between the regime set forth in the Spanish Companies Act and the rules governing the adoption of corporate resolutions.

No

Describe any differences from the provisions set forth in the Companies Act.

E.3 List all shareholders' rights regarding the General Shareholders' Meetings other than those established under the Companies Act.

SHAREHOLDERS MAY EXERCISE THEIR RIGHT TO POST OBSERVATIONS AND COMMENTS ON THE COMPANY'S CORPORATE GOVERNANCE ON ITS WEBPAGE AS PROVIDED FOR IN ARTICLE 6 OF THE REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING, WHICH STATES IN SECTION C) THEREOF THAT THIS WEBPAGE SHALL DISCLOSE: "THE COMMUNICATION CHANNELS BETWEEN THE COMPANY AND ITS SHAREHOLDERS AND, SPECIFICALLY, ADEQUATE EXPLANATIONS OF HOW SHAREHOLDERS CAN EXERCISE THEIR RIGHT TO INFORMATION, SPECIFYING THE MAIL AND ELECTRONIC MAIL ADDRESSES TO WHICH THE SHAREHOLDERS MAY WRITE".

LIKEWISE, AND WITHOUT PREJUDICE TO THE RIGHTS INCLUDED IN THE SPANISH COMPANIES ACT, SHAREHOLDERS ARE ALSO ENTITLED TO SUGGEST THE INCLUSION OF ADDITIONAL ITEMS ON THE SHAREHOLDERS' MEETING AGENDA UNDER ARTICLE 11 OF THE REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING WHICH ESTABLISHES THAT: "ANY SHAREHOLDER MAY SUBMIT TO THE COMPANY, EITHER BY ELECTRONIC MAIL OR REGULAR POST, TO THE REGISTERED BUSINESS ADDRESS, ALL SUGGESTIONS THEY WISH TO BE INCLUDED AS NEW ITEMS ON THE GENERAL MEETING AGENDA AND CLARIFICATION OF THE LITERAL CONTENT OF SAID ITEMS. REQUESTS MUST BE PREPARED IN THE CLEAREST AND MOST PRECISE TERMS, AND SHOULD STATE THE SHAREHOLDER'S NAME AND THE NUMBER OF SHARES HELD. REQUESTS MADE BY PROXY WILL NOT BE ACCEPTED. THE PROVISIONS OF THIS ARTICLE ARE TO BE UNDERSTOOD NOTWITHSTANDING THE PROVISIONS OF THE FOLLOWING ARTICLE REGARDING SHAREHOLDERS' RIGHT TO INFORMATION IN RELATION TO CLARIFICATIONS REQUIRED CONCERNING ITEMS ALREADY ON THE MEETING AGENDA. DEPENDING ON THE NUMBER OF SUGGESTIONS RECEIVED AND THE DEGREE OF REPRESENTATION OF THE SHAREHOLDERS WHO HAVE MADE SUCH REQUESTS, THE BOARD OF DIRECTORS MAY MAKE USE OF THEIR CONTENTS INSOFAR AS, IN ITS OPINION, THOSE SUGGESTIONS EFFECTIVELY IMPROVE THE INFORMATION AVAILABLE TO THE SHAREHOLDERS, EITHER IN THE AGENDA TO BE PUBLISHED OR WITHIN THE INFORMATION INCLUDED ON THE WEBSITE REGARDING THE GENERAL MEETING, OR IN THE INFORMATION OR CLARIFICATIONS TO BE PROVIDED IN CONJUNCTION WITH THE GENERAL MEETING....".

ARTICLE 24 OF THE REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING PROVIDES FOR SEPARATE VOTES ON MATTERS THAT ARE MATERIALLY SEPARATE, IN PARTICULAR: (I) THE APPOINTMENT OR RATIFICATION OF DIRECTORS, WHICH SHOULD BE VOTED ON INDIVIDUALLY; AND (II) WITH RESPECT AMENDMENTS TO THE COMPANY BYLAWS, THOSE AFFECTING EACH ARTICLE OR GROUP OF ARTICLES THAT ARE MATERIALLY SEPARATE. WHEN PREVIOUSLY APPLIED FOR AND ACCREDITED BY THE RELATED SHAREHOLDERS SPECIALLY FOR EACH MEETING AND THE PROCEDURES GUARANTEEING CORRECT EXECUTION CAN BE ESTABLISHED, SPLIT VOTES ARE ALLOWED BY FINANCIAL INTERMEDIARIES ACTING LEGITIMATELY AS NOMINEES ON BEHALF OF DIFFERENT CLIENTS, TO ENABLE THEM TO CAST THEIR VOTES IN ACCORDANCE WITH INSTRUCTIONS RECEIVED FROM THESE SHAREHOLDERS.

E.4 Indicate measures adopted, if any, to encourage shareholders' participation in the General Shareholders' Meetings.

THE AMENDMENTS TO THE BOARD REGULATIONS ADOPTED AT THE GENERAL SHAREHOLDERS' MEETING OF 19 JUNE 2007 ALLOW SPLIT VOTES BY FINANCIAL INTERMEDIARIES ACTING AS NOMINEES ON BEHALF OF DIFFERENT CLIENTS, WHERE PROCEDURES GUARANTEEING CORRECT EXECUTION CAN BE ESTABLISHED AND IT HAS BEEN APPLIED FOR AND DULY ACCREDITED BY THE CORRESPONDING SHAREHOLDERS.

FURTHER THE REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING PROVIDE FOR VOTES CORRESPONDENCE; HOWEVER IT HAS NOT BEEN DEEMED NECESSARY TO ESTABLISH THE MECHANISMS FOR ENABLING VOTING by CORRESPONDENCE DUE TO THE LACK OF REQUESTS TO VOTE IN THIS MANNER AND THE COST ENTAILED IN SO DOING.

ATTENDANTS AT THE SHAREHOLDERS' MEETING ALWAYS RECEIVE A GIFT AS AN ATTENDANCE BONUS. SHAREHOLDER PARTICIPATION IS PROMOTED AND FACILITATED VIA THE PROVISION OF EXHAUSTIVE INFORMATION SUFFICIENTLY IN ADVANCE OF THE SHAREHOLDERS' MEETING AND THE CHAIRMAN'S INVITATION TO ATTENDEES TO ASK QUESTIONS OR RAISE QUERIES.

E.5 Indicate whether the General Shareholders' Meeting is presided by the Chairman of the Board. List the measures, if any, adopted to guarantee the independence and correct operation of the General Shareholders' Meeting.

Yes X No ☐

Describe the measures
UNDER THE FIRST PARAGRAPH OF ARTICLE 19 OF THE REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING: "THE CHAIRMAN OF THE BOARD OF DIRECTORS OR HIS/HER SUBSTITUTE UNDER THE COMPANY BYLAWS SHALL ALSO ACT AS CHAIRMAN OF THE GENERAL SHAREHOLDERS' MEETING. IF THE COMPANY BYLAWS DO NOT PROVIDE FOR A SUBSTITUTE, THIS POSITION WILL BE VESTED IN THE SHAREHOLDER ELECTED BY SHAREHOLDERS ATTENDING THE MEETING. IF THE CHAIRMAN OR VICE CHAIRMAN OF THE BOARD OF DIRECTORS TO PRESIDE THE GENERAL SHAREHOLDERS' MEETING IS NOT AN EXTERNAL DIRECTOR, THE CHAIRMAN OF THE AUDIT COMMITTEE, OR WHOMEVER HE/SHE DELEGATES FROM AMONG THE BOARD'S INDEPENDENT DIRECTORS FOR THIS PURPOSE, MUST ALSO SIT AT THE SHAREHOLDERS' MEETING'S PRESIDING PANEL". THE MEASURES FOR VOTING BY PROXY SET FORTH IN ARTICLE 14 OF THE REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING GUARANTEE INDEPENDENCE BY ESTABLISHING THAT EVERY SHAREHOLDER ENTITLED TO ATTEND MAY BE REPRESENTED AT THE GENERAL MEETING BY ANOTHER PERSON, EVEN IF THE PROXY IS NOT A SHAREHOLDER, AT ALL TIMES IN ACCORDANCE WITH PREVAILING LEGAL AND BYLAW STIPULATED REQUIREMENTS. PROXIES MUST BE DESIGNATED ON THE OCCASION OF EACH MEETING, IN WRITING OR BY MEANS OF REMOTE COMMUNICATION CHANNELS, PROVIDED IN THE LATTER INSTANCE THAT THE IDENTITY OF THE SHAREHOLDER REPRESENTED IS DULY CERTIFIED AND THE REQUIREMENTS ESTABLISHED OR TO BE ESTABLISHED FOR CORRESPONDENCE VOTING BY THE BOARD, IN ACCORDANCE WITH THE COMPANY BYLAWS AND ARTICLE 25 OF THE REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING, ARE MET. PROXY VOTES MAY ONLY BE CAST FOR CERTAIN OF THE ITEMS INCLUDED IN THE AGENDA. FOR MATTERS ON WHICH NO PROXY HAS BEEN DESIGNATED, THE HOLDERS OF THESE SHARES WILL BE UNDERSTOOD TO ABSTAIN FROM THE CORRESPONDING VOTE; NONETHELESS, SHARES REPRESENTED BY PROXY SHALL COMPUTE FOR CALLING THE SHAREHOLDERS' MEETING VALIDLY TO ORDER.

E.6 Indicate the amendments, if any, made to the Regulations of the General Shareholders' Meeting during the year.

E.7 Indicate the attendance figures for the General Shareholders' Meetings held during this year:

General Shareholders' Meeting	Attendance data				
	% attending in person	% by proxy	% correspondence voting		Total
			Electronic votes	Other	
17/06/2008	73.150	10.940	0.000	0.000	84.090
24/10/2008	41.110	13.930	0.000	0.000	55.040

E.8 Briefly describe the resolutions adopted at the General Shareholders' Meetings held during the year and the percentage of votes by which each resolution was passed:

RESOLUTIONS RATIFIED AT THE ORDINARY GENERAL SHAREHOLDERS' MEETING OF 17 JUNE 2008

FIRST:- EXAMINATION AND APPROVAL, IF APPROPRIATE, OF THE 2007 ANNUAL ACCOUNTS (BALANCE SHEET, INCOME STATEMENT AND THE NOTES THERETO) AND THE 2007 MANAGEMENT REPORT OF THE COMPANY AND ITS CONSOLIDATED GROUP, AS WELL AS THE PROPOSED DISTRIBUTION OF PROFIT FOR 2007. VOTED IN FAVOUR: 99.99% OF VOTING CAPITAL PRESENT; VOTED AGAINST: 0.003% OF VOTING CAPITAL PRESENT.

SECOND.- EXAMINATION AND APPROVAL, IF APPROPRIATE, OF THE PERFORMANCE OF THE BOARD OF DIRECTORS IN 2007. VOTED IN FAVOUR: 100% OF VOTING CAPITAL PRESENT.

THIRD.- REAPPOINTMENT OF ONE DIRECTOR. VOTED IN FAVOUR: 98.01% OF VOTING CAPITAL PRESENT; VOTED AGAINST: 1.60% OF VOTING CAPITAL PRESENT; ABSTENTIONS: 0.002% OF VOTING CAPITAL PRESENT.

FOURTH.- PROPOSED CASH DIVIDEND TO BE CHARGED AGAINST RESERVES. VOTED IN FAVOUR: 100% OF VOTING CAPITAL PRESENT.

FIFTH.- IN-KIND DIVIDEND IN THE FORM OF DELIVERY OF OWN SHARES, CHARGED TO THE SHARE PREMIUM ACCOUNT. VOTED IN FAVOUR: 100% OF VOTING CAPITAL PRESENT.

SIXTH.- AUTHORISATION FOR THE DERIVATIVE ACQUISITION OF TREASURY SHARES IN CONFORMITY WITH THE PROVISIONS OF ARTICLE 75 AND RELATED ARTICLES OF THE SPANISH COMPANIES ACT. VOTED IN FAVOUR: 100% OF VOTING CAPITAL PRESENT.

SEVENTH.- DELEGATION OF ANY NECESSARY POWERS TO THE BOARD OF DIRECTORS FOR THE INTERPRETATION, APPLICATION, EXECUTION AND IMPLEMENTATION OF THE RESOLUTIONS ADOPTED AT THE GENERAL SHAREHOLDERS' MEETING, INCLUDING THOSE RECTIFICATIONS NECESSARY TO MEET ANY MANDATORY REQUIREMENT, EITHER FOR PURPOSES OF IMPLEMENTING SAID RESOLUTIONS OR FOR INSCRIBING THEM IN THE MERCANTILE REGISTER. VOTED IN FAVOUR: 100% OF VOTING CAPITAL PRESENT.

EIGHTH.- DELEGATION OF THE NECESSARY POWERS TO EXECUTE OR RATIFY BY PUBLIC DEED ANY RESOLUTIONS ADOPTED AT THE GENERAL SHAREHOLDERS' MEETING THAT MAY REQUIRE THIS PROCEDURE OR THOSE THAT MUST BE INSCRIBED IN PUBLIC REGISTERS. VOTED IN FAVOUR: 100% OF VOTING CAPITAL PRESENT.

RESOLUTIONS RATIFIED AT THE EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING OF 24 OCTOBER 2008

FIRST.- EXAMINATION AND APPROVAL, IF APPROPRIATE, OF THE MERGER PROPOSAL BETWEEN CAMPOFRÍO ALIMENTACIÓN, S.A. AND GROUPE SMITHFIELD HOLDINGS, S.L AND OF THE MERGER BALANCE SHEET OF CAMPOFRÍO ALIMENTACIÓN, S.A. AT 30 APRIL 2008 AS REVIEWED BY THE COMPANY'S EXTERNAL AUDITOR. APPROVAL OF THE MERGER BETWEEN CAMPOFRÍO ALIMENTACIÓN, S.A. AND GROUPE SMITHFIELD HOLDINGS, S.L., VIA THE MERGER OF THE LATTER INTO FORMER, AND THE DISSOLUTION WITHOUT LIQUIDATION OF THE MERGED ENTITY AND THE UNIVERSAL TRANSFER EN BLOC OF ALL ITS ASSETS AND LIABILITIES TO THE ABSORBING COMPANY, ALL IN ACCORDANCE WITH THE MERGER PROJECT AND SUBJECT TO THE TERMS SET FORTH THEREIN. SUBJECTION OF THE MERGER TO THE NEUTRALITY TAX REGIME FOR MERGERS, SPIN-OFFS, ASSET CONTRIBUTIONS AND SECURITY SWAPS PROVIDED IN CHAPTER VIII OF TITLE VII OF ROYAL DECREE 4/2004, OF 5 MARCH, ENACTING THE CORPORATE INCOME TAX ACT, AS AMENDED. VOTED IN FAVOUR: 100% OF VOTING CAPITAL PRESENT.

SECOND.- EXAMINATION AND APPROVAL, IF APPROPRIATE, OF THE CAPITAL INCREASE AT CAMPOFRÍO ALIMENTACIÓN, S.A. AS A RESULT OF THE MERGER IN THE NOMINAL AMOUNT OF 49,577,099 EUROS, VIA THE ISSUANCE OF 49,577,099 ORDINARY SHARES WITH A NOMINAL VALUE OF ONE EURO (€1) EACH, REPRESENTED BY BOOK ENTRIES, WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS, FOR EXCHANGE WITH THE SHAREHOLDERS OF THE MERGED ENTITY IN ACCORDANCE WITH THE MERGER PLAN AND SUBJECT TO THE TERMS SET FORTH THEREIN. CORRESPONDING AMENDMENT TO ARTICLE FIVE OF THE BYLAWS (SHARE CAPITAL AND SHARES). REQUEST TO ADMIT THE NEWLY ISSUED SHARES FOR TRADING ON THE MADRID AND BARCELONA STOCK EXCHANGES AND ON THE CONTINUOUS MARKET (SIBE FOR ITS INITIALS IN SPANISH). VOTED IN FAVOUR: 100% OF VOTING CAPITAL PRESENT.

THIRD.- EXAMINATION AND APPROVAL, IF APPROPRIATE, OF THE AMENDMENT TO ARTICLES ONE (REGISTERED BUSINESS NAME), FIFTEEN (PERTAINING TO HIGHER QUORUM), NINETEEN (IN RELATION TO THE TERM OF DIRECTORSHIPS AND REAPPOINTMENT OF DIRECTORS), TWENTY-ONE (IN RELATION TO APPROVAL OF RESOLUTIONS BY THE BOARD), TWENTY-FOUR (CONCERNING MATTERS RESERVED TO THE BOARD), TWENTY-FOUR BIS (IN RELATION TO MEMBERS OF THE AUDIT COMMITTEE), TWENTY-FOUR QUARTER (FUNCTIONS ATTRIBUTED TO THE AUDIT COMMITTEE) OF THE COMPANY BYLAWS AND CREATION OF A NEW ADDITIONAL PROVISION THERETO TO REFLECT CERTAIN COMMITMENTS UNDERTAKEN BY SMITHFIELD FOODS INC. AND CERTAIN OF ITS GROUP COMPANIES, IN ACCORDANCE WITH A REPORT DRAWN UP BY THE BOARD OF DIRECTORS AND SUBJECT TO THE MERGER'S EFFECTIVENESS UNDER THE TERMS SO ESTABLISHED IN THE MERGER PLAN. VOTED IN FAVOUR: 100% OF VOTING CAPITAL PRESENT.

FOURTH.- DISMISSAL AND APPOINTMENT OF COMPANY DIRECTORS AS A RESULT OF THE MERGER, SUBJECT TO THE MERGER'S EFFECTIVENESS UNDER THE TERMS SO ESTABLISHED IN THE MERGER PLAN. VOTED IN FAVOUR: 95.07% OF VOTING CAPITAL PRESENT; VOTED AGAINST: 4.93 % OF VOTING CAPITAL PRESENT.

FIFTH.- EXAMINATION AND APPROVAL, IF APPROPRIATE, OF THE DISTRIBUTION OF AN EXTRAORDINARY DIVIDEND IN THE AMOUNT OF 47,150,000 EUROS, AGAINST THE SHARE ISSUE PREMIUM DERIVING FROM THE CAPITAL INCREASE RATIFIED AT THE GENERAL SHAREHOLDERS' MEETING OF 2 MARCH 2002, EXCLUSIVELY IN BENEFIT OF THE SHARES CURRENTLY OUTSTANDING AND REPRESENTING THE SHARE CAPITAL OF CAMPOFRÍO ALIMENTACIÓN, S.A. PRIOR TO THE MERGER, SIMILARLY SUBJECT TO COMPLIANCE WITH THE TERMS CONTAINED IN THE MERGER PLAN UPON WHICH EFFECTIVENESS OF THE MERGER IS CONDITIONAL. DELEGATION IN THE BOARD OF DIRECTORS OF THE POWERS TO DETERMINE THE PAYMENT DATE FOR SAID DIVIDEND AND ANY OTHER RELATED SPECIFICS. VOTED IN FAVOUR: 100% OF VOTING CAPITAL PRESENT.

SIXTH.- DELEGATION OF ANY NECESSARY POWERS TO THE BOARD OF DIRECTORS FOR THE INTERPRETATION, APPLICATION, EXECUTION AND IMPLEMENTATION OF THE RESOLUTIONS ADOPTED AT THE GENERAL MEETING, INCLUDING THOSE RECTIFICATIONS NECESSARY TO MEET ANY MANDATORY REQUIREMENT, EITHER FOR PURPOSES OF IMPLEMENTING SAID RESOLUTIONS OR FOR INSCRIBING THEM IN THE MERCANTILE REGISTER. VOTED IN FAVOUR: 100% OF VOTING CAPITAL PRESENT.

SEVENTH.- DELEGATION OF THE NECESSARY POWERS TO EXECUTE OR RATIFY BY PUBLIC DEED ANY RESOLUTIONS ADOPTED AT THE GENERAL MEETING THAT MAY REQUIRE THIS PROCEDURE OR THOSE THAT MUST BE INSCRIBED IN PUBLIC REGISTERS. VOTED IN FAVOUR: 100% OF VOTING CAPITAL PRESENT.

E.9 Indicate whether there are any restrictions in the bylaws establishing the minimum number of shares required to attend the General Shareholders' Meeting.

Yes

Number of shares required to attend the General Shareholders' Meeting	10

E.10 Indicate and explain the company's policies in relation to proxy voting at the General Shareholders' Meeting.

ALTHOUGH THERE IS NO FORMAL POLICY, THE AIM IS TO ATTEND TO ALL SHAREHOLDER PROXY REQUESTS.

THE COMPANY BYLAWS REGULATE DISTANCE TELEMATIC PROXY AND VOTING SYSTEMS WITH THE AIM OF FACILITATING SHAREHOLDER PARTICIPATION AT THE SHAREHOLDERS' MEETING. THE DETERMINATION OF THE MECHANISM AND PROCEDURES FOR THE EXECUTION THEREOF AND THE TIMING FOR APPLICATION OF THE PROXY REGIME HAS BEEN DELEGATED IN THE BOARD OF DIRECTORS WHICH TO DATE HAS NOT DEEMED IT NECESSARY TO ESTABLISH THEM DUE TO THE LACK OF REQUESTS TO VOTE IN THIS MANNER AND THE COST ENTAILED IN SO DOING.

SIMILARLY, ARTICLE 15 OF THE REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING COVER PUBLIC SOLICITATIONS OF PROXY, WHICH ARE REGULATED AS FOLLOWS:

FORMULATION OF PUBLIC SOLICITATIONS OF PROXY SHALL BE GOVERNED BY THE PROVISIONS SET FORTH TO THIS END IN THE SPANISH COMPANIES ACT, AND, IF APPROPRIATE, IN THE SECURITIES MARKET ACT FOR LISTED COMPANIES. PERSONS OR ENTITIES FORMULATING A PUBLIC SOLICITATION OF PROXY MUST SEND TO THE ADDRESS OF EACH AND EVERY SHAREHOLDER TO WHOM IT IS DIRECTED THE DOCUMENT ACCREDITING POWERS OF ATTORNEY, TOGETHER WITH A BROCHURE OR LETTER EXPLAINING THE IDENTITY OF THE PERSON/ENTITY FORMULATING THE SOLICITATION, DULY EXPLAINING THE LEGITIMACY, GROUNDS AND PURPOSE OF THE REQUEST.

THE PROXY SOLICITATION DOCUMENT MUST STATE THE NAME OF THE PERSON ACTING AS PROXY HOLDER, CONTAIN OR ATTACH THE AGENDA AND THE INSTRUCTION FORM FOR EXERCISING VOTES, ALONG WITH THE DELEGATE'S VOTING INTENTION IF SPECIFIC INSTRUCTIONS ARE NOT PROVIDED, SIGNED AND DATED BY THE BENEFICIAL OWNER OF THE SHARES.

UNLESS OTHERWISE INDICATED BY THE BENEFICIAL OWNER OF THE SHARES, SHOULD A CONFLICT OF INTEREST EXIST IN RELATION TO THE PROXY HOLDER, IT SHALL BE ASSUMED THAT THE BENEFICIAL SHAREHOLDER HAS LIKEWISE APPOINTED, JOINTLY AND SUCCESSIVELY, THE CHAIRMAN OF THE GENERAL MEETING, AND, SHOULD A CONFLICT OF INTEREST EXIST WITH THE LATTER, THE SECRETARY TO THE GENERAL MEETING AND, SHOULD A CONFLICT OF INTEREST EXIST WITH THE LATTER, THE CHAIRMAN OF THE AUDIT COMMITTEE, AS HIS OR HER DELEGATE. WHEN THE DOCUMENT ACCREDITING PROXY OR DELEGATION IS SUBMITTED TO THE COMPANY WITHOUT EXPRESSLY IDENTIFYING THE PROXY HOLDER, IT SHALL BE ASSUMED THAT THE BENEFICIAL SHAREHOLDER HAS LIKEWISE APPOINTED, JOINTLY AND SUCCESSIVELY, THE PERSONS HOLDING THE AFOREMENTIONED POSITIONS, IN THE ORDER REFERRED TO ABOVE. IN THE EVENT THAT NO VOTING INSTRUCTIONS ARE GIVEN WITH RESPECT TO THE RESOLUTIONS INCLUDED IN THE AGENDA, AND, UNLESS OTHERWISE STATED IN THE PROXY MATERIALS, IT SHALL BE ASSUMED THAT THE PROXY HOLDER WILL VOTE IN FAVOUR OF THE RESOLUTIONS PUT FORWARD BY THE BOARD OF DIRECTORS.

THE PROXY MAY ALSO COVER BUSINESS WHICH, ALTHOUGH NOT CONTAINED IN THE AGENDA OF THE CALL TO MEETING, MAY LEGITIMATELY BE TRANSACTED IN THE SHAREHOLDERS' MEETING UNDER PREVAILING LAW. IN THESE CASES, THE PROVISIONS OF THE PRECEDING PARAGRAPHS SHALL ALSO APPLY, ALTHOUGH IF NO VOTING INSTRUCTIONS ARE GIVEN WITH RESPECT TO SAID BUSINESS, AND UNLESS OTHERWISE STATED IN THE PROXY MATERIALS, IT SHALL BE ASSUMED THAT THE DELEGATE WILL VOTE AGAINST THESE RESOLUTIONS.

E.11 Indicate whether the company is aware of institutional investors' policy on whether or not to participate in corporate decision making:

Yes

Describe the policy
AS PART OF ITS REGULAR INTERACTIONS WITH ITS INSTITUTIONAL INVESTORS, THE COMPANY IS ON OCCASION FAMILIAR WITH THEIR POLICIES IN THIS REGARD. HOWEVER, THESE TENDENCIES CANNOT BE CONSIDERED HARD AND FAST RULES.

E.12 Indicate the URL and mode of access to corporate governance content on your website.

The address of the Company's website is http://www.campofriofoodgroup.com. To access this content, browsers must first select their language of choice; the corporate governance content is a drop down menu option under the Investors' Info tab.

F DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree to which the company is in compliance with the recommendations of the Unified Good Governance Code. Should the company not comply with any of the aforementioned recommendations, explain the recommendations, rules, practices or criteria the company applies.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

See sections: A.9, B.1.22, B.1.23 and E.1, E.2.

Compliant

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;

b) The mechanisms in place to resolve possible conflicts of interest.

See sections: C.4 and C.7

Not applicable

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:

a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;

b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;

c) Operations that effectively add up to the company's liquidation.

Partially compliant

THE COMPANY AND BOARD SHARE THE PHILOSOPHY AND PRINCIPLES OF THIS RECOMMENDATION, ALTHOUGH ITS APPLICATION SHOULD BE DICTATED BY THE CIRCUMSTANCES AND THE SUBSTANCE OF THE TRANSACTIONS THAT COULD GIVE RISE TO SUCH MEASURES.

IN ANY EVENT, IN ACCORDANCE WITH ARTICLE 24 OF THE COMPANY BYLAWS, AS AMENDED BY VIRTUE OF THE RESOLUTIONS RATIFIED AT THE COMPANY'S EXTRAORDINARY GENERAL MEETING OF 24 OCTOBER 2008, KNOWLEDGE OF AND DECISION-MAKING THAT AFFECTS THE COMPANY'S CORPORATE STRUCTURE, INCLUDING ANY BYLAW AMENDMENT PROPOSALS, ARE RESERVED TO THE FULL BOARD.

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the Meeting notice.

Compliant

5. Separate votes should be taken at the General Shareholders' Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

a) The appointment or ratification of directors, with separate voting on each candidate;

b) Amendments to the bylaws, with votes taken on all articles or groups of articles that are materially different.

See section: *E.8*

Compliant

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

See section: *E.4*

Compliant

7. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interests and, as such, strive to maximize its value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Compliant

8. The board should see the core component of its mission as to approve the company's strategy and authorize the organizational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the board in full should reserve the right to approve:

a) The company's general policies and strategies, and in particular:

i) The strategic or business plan, management targets and annual budgets;

ii) investment and financing policy;

iii) Design of the structure of the corporate group;

iv) Corporate governance policy;

v) Corporate social responsibility policy;

vi) Remuneration and evaluation of senior officers;

vii) Risk control and management, and the periodic monitoring of internal information and control systems

viii) Dividend policy, as well as the policies and limits applying to treasury stock

See sections: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

i) On the proposal of the company's chief executive, the appointment and removal of senior officers, and their remuneration clauses.

See section: B.1.14.

ii) Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contractual conditions.

See section: B.1.14.

iii) The financial information that all listed companies must periodically disclose.

iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;

v) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto ("related-party transactions").

However, board authorization need not be required for related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form agreements applied on an across the-board basis to a large number of clients;

2. They go through at market rates, generally set by the person supplying the goods or services;

3. Their amount is no more than 1% of the company's annual revenues.

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It is advisable that related-party transactions should only be approved on the basis of a favorable report from the Audit Committee or some other committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the full board.

See sections: *C.1 and C.6*

Compliant

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer then five and no more than fifteen members.

See section: *B.1.1*

Compliant

10. External directors, proprietary and independent, should occupy an ample majority of board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

See sections: *A.2, A.3, B.1.3 and B.1.14.*

Compliant

11. In the event that some external director can be deemed neither proprietary nor independent, the company should disclose this circumstance and the links that person maintains with the company or its senior officers, or its shareholders.

See section: *B.1.3*

Not applicable

12. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the company's capital.

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

1. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.

2. In companies with a plurality of shareholders represented on the board but not otherwise related.

See sections: *B.1.3, A.2 and A.3*

Compliant

13. The number of independent directors should represent at least one third of all board members.

See section: *B.1.3*

Compliant

14. The nature of each director should be explained to the General Meeting of Shareholders which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The said Report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

See sections: *B.1.3 and B.1.4*

Compliant

15. When women directors are few or non existent, the board should state the reasons for this situation and the measures taken to correct it; in particular, the Nomination Committee should take steps to ensure that:

a) The process of filling board vacancies has no implicit bias against women candidates;

b) The company makes a conscious effort to include women with the target profile among the candidates for board places.

See sections: *B.1.2, B.1.27 and B.2.3.*

Partially compliant

THE BOARD IS SENSITIVE TO GENDER EQUALITY POLICIES AND ALTHOUGH IT HAS NO FEMALE DIRECTORS AT PRESENT, THIS IS NOT BECAUSE OF ANY BIAS OR REJECTION, BUT RATHER A REFLECTION OF THE COMPANY'S HISTORY AND THE DIFFICULTY AT TIMES OF FINDING THE APPROPRIATE CANDIDATES. ANY PROCESS FOR RENEWAL OF THE BOARD IS OPEN TO CONSIDERING WOMEN AS DIRECTORS UNDER THE SAME TERMS AS MEN.

16. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organize and coordinate regular evaluations of the board and, where appropriate, the company's chief executive, along with the chairmen of the relevant board committees.

See section: *B.1.42*

Compliant

17. When a company's Chairman is also its chief executive, an independent director should be empowered to request the calling of board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation of the Chairman.

See section: *B.1.21*

Compliant

18. The Secretary should take care to ensure that the board's actions:

a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;

b) Comply with the company bylaws and the regulations of the General Shareholders' Meeting, the Board of Directors and others;

c) Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nomination Committee and approved by a full board meeting; the relevant appointment and removal procedures being spelled out in the board's regulations.

See section: *B.1.34*

Compliant

19. The board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See section: *B.1.29*

Compliant

20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See sections: *B.1.28 and B.1.30*

Compliant

21. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Compliant

22. The board in full should evaluate the following points on a yearly basis:

a) The quality and efficiency of the board's operation;

b) Starting from a report submitted by the Nomination Committee, how well the Chairman and chief executive have carried out their duties;

c) The performance of its committees on the basis of the reports furnished by the same.

See section: *B.1.19*

Partially compliant

OVER THE LAST FEW YEARS, THE QUALITY, EFFICIENCY AND FUNCTION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES HAVE UNDERGONE AN ANNUAL REVIEW. IN 2007, THE ASSESSMENT WAS CARRIED OUT IN CONJUNCTION WITH EXTERNAL CONSULTANTS SPENCER STUART BASED ON A QUESTIONNAIRE DRAWN UP BY THE LATTER.

HOWEVER IN 2008 THIS ASSESSMENT WAS NOT PERFORMED AS THE COMPANY HAS BEEN IMMERSE IN A PROTRACTED MERGER PROCESS WHICH HAS CULMINATED IN A SUBSTANTIAL MODIFICATION OF THE COMPOSITION OF THE BOARD OF DIRECTORS.

23. All directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the bylaws or board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.

See section: *B.1.42*

Compliant

24. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See section: *B.1.41*

Compliant

25. Companies should organize induction programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise

Compliant

26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

a) Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;

b) Companies should lay down rules about the number of directorships their board members can hold.

See sections: *B.1.8, B.1.9 and B.1.17*

Partially compliant

DIRECTORS DEVOTE SUFFICIENT TIME TO ENSURE THEY CONTRIBUTE AND CARRY OUT THEIR DUTIES EFFECTIVELY, APPRISING THE COMPANY OF THEIR PROFESSIONAL SITUATION. THE COMPANY CURRENTLY HAS NO LIMITS ON THE NUMBER OF DIRECTORSHIPS ITS BOARD MEMBERS CAN HOLD, ALTHOUGH THERE IS A REGIME GOVERNING THE HOLDING OF DIRECTORSHIPS AT COMPETING COMPANIES.

27. The proposal for the appointment or renewal of directors which the board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the board:

a) On the proposal of the Nomination Committee, in the case of independent directors.

b) Subject to a report from the Nomination Committee in all other cases.

See section: *B.1.2*

Compliant

28. Companies should post the following director particulars on their websites, and keep them permanently updated:

a) Professional experience and background;

b) Directorships held in other companies, listed or otherwise;

c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.

d) The date of their first and subsequent appointments as a company director, and;

e) Shares held in the company and any options on the same.

Compliant

29. Independent directors should not stay on as such for a continuous period of more than 12 years.

See section: *B.1.2*

Compliant

30. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

See sections: *A.2, A.3 and B.1.2*

Partially compliant

THE COMPANY EMBRACES THE RECOMMENDATION, ALTHOUGH THE SCALE OF ITS APPLICATION IS STUDIED ON A CASE-BY-CASE BASIS. THROUGHOUT THE COMPANY'S HISTORY, ADDITIONS AND DISPOSALS OF SIGNIFICANT SHAREHOLDINGS HAVE LED TO THE REMOVAL OF THE PROPRIETARY DIRECTORS REPRESENTING THE SHAREHOLDERS.

31. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the board, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 (Definitions) of this Code.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: *B.1.2, B.1.5 and B.1.26*

Compliant

32. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organization's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in article 124 of the Spanish Companies Act, the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: *B.1.43, B.1.44*

Compliant

33. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the Secretary of the board; director or otherwise.

Partially compliant

DIRECTORS MAY EXPRESS THEIR OPINIONS FREELY AND HAVE THESE DULY RECORDED IN THE MINUTES, BOTH THOSE OPPOSING A PROPOSAL AND THOSE IN WHICH THE DIRECTOR EXPRESSES RESERVATIONS REGARDING THE MATTERS DISCUSSED. THE COMPANY DOES NOT HAVE ANY SPECIFIC REGULATION REGARDING THE DISCLOSURE OR TREATMENT OF THE REASONS GIVEN BY DIRECTORS OR THE SECRETARY FOR RESIGNING.

34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See section: *B.1.5*

Compliant

35. The company's remuneration policy, as approved by its Board of Directors, should specify at least the following points:

a) The amount of the fixed components, itemized where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment they give rise to;

b) Variable components, in particular:

i) The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items.

ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;

iii) The main parameters and grounds for any system of annual bonuses or other, non cash benefits; and

iv) An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or benchmarks.

c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount of annual equivalent cost.

d) The conditions to apply to the contracts of executive directors exercising senior management functions. Among them:

i) Duration;

ii) Notice periods; and

iii) Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between company and executive director.

See section: *B.1.15*

Compliant

36. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

See sections: *A.3, B.1.3*

Compliant

l

37. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Compliant

38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Not applicable

39. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Compliant

40. The board should submit a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.

The report will focus on the remuneration policy the board has approved for the current year with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

The role of the Remuneration Committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

See section: *B.1.16*

Partially compliant

THE COMPANY DOES NOT SUBMIT THIS POLICY TO THE VOTE OF THE GENERAL SHAREHOLDERS' MEETING, ALTHOUGH THE MAXIMUM AMOUNT OF DIRECTOR REMUNERATION IS AUTHORISED AT THE GENERAL SHAREHOLDERS' MEETING, AS WAS THE CASE AT THE MEETING HELD ON 19 JUNE 2007. AT THE ORDINARY SHAREHOLDERS' MEETING, THE CHAIRMAN OF THE NOMINATION AND REMUNERATION COMMITTEE REPORTS ON THE ACTIVITIES CARRIED OUT AND THE PRINCIPLES AND POLICIES APPLIED, INCLUDING CRITERIA REGARDING REMUNERATION, IN LINE WITH THIS RECOMMENDATION.

41. The notes to the annual accounts should list individual directors' remuneration in the year, including:

   a) A breakdown of the remuneration obtained by each company director, to include where appropriate:

      i) Participation and attendance fees and other fixed director payments;

ii) Additional remuneration for acting as chairman or member of a board committee;

iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;

iv) Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;

v) Any severance packages agreed or paid;

vi) Any remuneration they receive as directors of other companies in the group;

vii) The remuneration executive directors receive in respect of their senior management posts;

viii) Any kind of remuneration other than those listed above, of whatever nature and provenance within the group, especially when it may be accounted a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.

b) An individual breakdown of deliveries to directors of shares, share options or other share-based instruments, itemized by:

i) Number of shares or options awarded in the year, and the terms set for their execution;

ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;

iii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;

iv) Any change in the year in the exercise terms of previously awarded options.

c) Information on the relation in the year between the remuneration obtained by executive directors and the company's profits, or some other measure of enterprise results.

Partially compliant

IN ACCORDANCE WITH PREVAILING LAW, THE COMPANY PUBLICLY DISCLOSES THE REMUNERATION PAID TO DIRECTORS, ALTHOUGH IT DOES NOT PROVIDE AN INDIVIDUAL BREAKDOWN AS INDICATED IN THIS RECOMMENDATION DUE TO THE SENSITIVE NATURE OF THIS INFORMATION WITH RESPECT TO THE COMPANY'S COMPETITORS AND IN ORDER TO PROTECT THE RELATED DIRECTORS.

42. When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the board should also act as secretary to the Executive Committee.

See sections: B.2.1 and B.2.6

Not applicable

43. The board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Committee's minutes.

Not applicable

44. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Nomination and Remuneration.

The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Remuneration should be set forth in the board regulations, and include the following:

a) The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting;

b) These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.

c) Committees should be chaired by an independent director.

d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.

e) Meeting proceedings should be minuted and a copy sent to all board members.

See sections: *B.2.1 and B.2.3*

Compliant

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.

Explain

OVERSIGHT OF THE INTERNAL CODES OF CONDUCT AND THE ETHICS CODE FALLS TO THE ETHICS COMMITTEE COMPRISING THE CHAIRMAN OF THE COMPANY, THE CHAIRMAN OF THE AUDIT COMMITTEE, ANOTHER INDEPENDENT DIRECTOR OF THE AUDIT COMMITTEE, AND THE BOARD SECRETARY.

46. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Compliant

47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

Compliant

48. The head of internal audit should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Compliant

49. Control and risk management policy should specify at least:

    a) The different types of risk (operational, technological, financial, legal, reputational...) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;

    b) The determination of the risk level the company sees as acceptable;

    c) Measures in place to mitigate the impact of risk events should they occur;

    d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See section: D

Partially compliant

IN GENERAL, THE COMPANY'S FINANCIAL CONTROL DEPARTMENT, INTERNAL AUDIT AND THE AUDIT COMMITTEE CONTROL THE OPERATIONAL, TECHNOLOGICAL, FINANCIAL, LEGAL AND REPUTATIONAL RISKS TO WHICH THE COMPANY IS EXPOSED, DETERMINING AND ESTABLISHING THE GUIDELINES FOR ACCEPTABLE RISK LEVELS AND THE MEASURES TO MITIGATE THE RISKS DETECTED.

50. The Audit Committee's role should be:

    1. With respect to internal control and reporting systems:

        a) Monitoring the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

        b) Reviewing internal control and risk management systems on a regular basis, so the main risks are properly identified, managed and disclosed.

c) Monitoring the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

d) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect to the company's external auditors:

a) Making recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement.

b) Receive regular information from the external auditor on the progress *and* findings of the audit programme, and check that senior management are acting on its recommendations.

c) Monitor the independence of the external auditor, to which end:

i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

ii) The Committee should ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;

iii) The Committee should investigate the issues giving rise to the resignation of any external auditor.

d) In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.

See sections: *B.1.35, B.2.2, B.2.3 and D.3*

Compliant

51. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant

52. The Audit Committee should prepare information on the following points from Recommendation 8 for input to board decision-making:

a) The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

b) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See sections: *B.2.2 and B.2.3*

Compliant

53. The Board of Directors should seek to present the annual financial statement to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See section: *B.1.38*

Compliant

54. The majority of Nomination Committee members – or Nomination and Remuneration Committee members as the case may be – should be independent directors.

See section: *B.2.1*

Compliant

55. The Nomination Committee should have the following functions in addition to those stated in earlier recommendations:

a) Evaluate the balance of skills, knowledge and experience on the board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.

b) Examine or organize, in appropriate form, the succession of the chairman and chief executive, making recommendations to the board so the handover proceeds in a planned and orderly manner.

c) Report on the senior officer appointments and removals which the chief executive proposes to the board.

d) Report to the board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: *B.2.3*

Compliant

56. The Nomination Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors.

Any board member may suggest directorship candidates to the Nomination Committee for its consideration.

Compliant

57. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:

a) Make proposals to the Board of Directors regarding:

i) The remuneration policy for directors and senior officers;

ii) The individual remuneration and other contractual conditions of executive directors.

iii) The standard conditions for senior officer employment contracts.

b) Oversee compliance with the remuneration policy set by the company.

See sections: *B.1.14, B.2.3*

Compliant

58. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant

G OTHER INFORMATION OF INTEREST

List and explain below the contents of any relevant principles or aspects of corporate governance applied by the Company that have not been covered by this report.

EXPLANATORY NOTE IN CONNECTION WITH THE CORPORATE GOVERNANCE REPORT TAKEN AS A WHOLE

THIS CORPORATE GOVERNANCE REPORT INCLUDES COMPANY INFORMATION WITHOUT REFLECTING THE MODIFICATIONS ARISING AS A RESULT OF THE MERGER WITH GROUPE SMITHFIELD SL, AS THE MERGER DEEDS WERE ONLY ELEVATED TO PUBLIC DEED ON 30 DECEMBER 2008, MEANING THAT BOTH COMPANIES OPERATED AS INDEPENDENT ENTITIES OVER THE COURSE OF 2008.

ACCORDINGLY THE INFORMATION INCLUDED IN THIS ANNUAL CORPORATE GOVERNANCE REPORT REFLECTS DATA RELATING TO CAMPOFRÍO PRIOR TO THE MERGER, EXCEPT FOR THE BELOW LISTED ITEMS WHICH DERIVE FROM THE REGISTRATION OF THE MERGER DEEDS IN THE COMPANIES REGISTRY:

- THE NEW REGISTERED BUSINESS NAME
- SHARE CAPITAL AMOUNTS AND SIGNIFICANT SHAREHOLDER DISCLOSURES
- THE MEMBERS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

WITH RESPECT TO SECTION A.8, PART C.

PREVAILING SHARE CAPITAL IN FILINGS MADE PURSUANT TO ROYAL DECREE 1362/2007 AMOUNTED TO 52,643,724 EUROS.

WITH RESPECT TO SECTION A.10

THERE ARE NO LEGAL RESTRICTIONS; NONETHELESS THE RESTRICTIONS ON THE ACQUISITION OR SALE OF THE SHAREHOLDINGS HELD BY THE SMITHFIELD FOODS GROUP ARE DISCLOSED IN SECTION A.6.

WITH RESPECT TO SECTIONS B.1.11 AND B.1.12.

ON 18 SEPTEMBER 2008, AS A CONSEQUENCE OF THE DELIVERY DURING THE THIRD QUARTER OF 2008 OF CERTAIN METRICS AT THE GROUP, THE COMPANY'S BOARD APPROVED SETTLEMENT OF THE VARIOUS COMPONENTS OF THE 2006-2007-2008 MEDIUM TERM MANAGEMENT COMPENSATION PLAN; ACCORDINGLY, A 4,956 THOUSAND EURO LIABILITY WAS RECOGNIZED IN CONNECTION WITH THE AMOUNTS ACCRUING TO THE PLAN BENEFICIARIES. IT IS HEREBY NOTED THAT THE AMOUNT DISCLOSED FOR COMPENSATION ACCRUED BY BOARD DIRECTORS IN 2008 IN CONNECTION WITH SAID PLAN IS 2,068 THOUSAND EUROS, EVEN THOUGH IT CORRESPONDS TO A THREE-YEAR PERIOD ACCRUED INCOME ALTHOUGH 696 THOUSAND EUROS OF THIS BALANCE WILL BE PAID IN 2009. SIMILARLY IN RELATION TO AGGREGATE REMUNERATION ACCRUED BY SENIOR MANAGEMENT, STATED IN SECTION B.1.12, IT IS HEREBY NOTED THAT THE AMOUNT DISCLOSED AS COMPENSATION ACCRUED BY SENIOR MANAGEMENT IN 2008 IN CONNECTION WITH THIS PLAN IS 1,798 THOUSAND EUROS, EVEN THOUGH IT CORRESPONDS TO A THREE-YEAR PERIOD ACCRUED INCOME ALTHOUGH 976 THOUSAND EUROS OF THIS BALANCE WILL BE PAID IN 2009.

WITH RESPECT TO SECTION B.1.11.

THE AMOUNT OF THE COMPENSATION PAID TO EXECUTIVE DIRECTORS INCLUDES THE AMOUNT ATTRIBUTABLE TO THE TWO EXECUTIVE DIRECTORS OF THE COMPANY DURING 2008.
IN DECEMBER 2008, A SETTLEMENT OF 1,115 THOUSAND EUROS WAS MADE AS SEVERANCE IN RELATION TO THE DISCONTINUATION OF AN EMPLOYMENT CONTRACT IN FORCE PRIOR THERETO WITH AN EXECUTIVE DIRECTOR. AS THIS SEVERANCE PAYMENT IS A NON-RECURRING PAYMENT, THE COMPANY HAS OPTED NOT TO INCLUDE IT IN SECTION B.1.11 OF THIS REPORT AS SO DOING WOULD DISTORT THE ACTUAL VOLUME OF COMPENSATION PAID TO DIRECTORS FOR DISCHARGING THEIR DUTIES.

WITH RESPECT TO SECTION B.1.12.

IDENTIFICATION OF THE MEMBERS OF SENIOR MANAGEMENT AND THE CORRESPONDING CALCULATION OF THEIR COMPENSATION IN 2008 WAS NOT CALCULATED PRO FORMA FOR THE MERGER WHICH CLOSED ON 30 DECEMBER 2008. THEREFORE THIS LISTING AND THE CORRESPONDING REMUNERATION CALCULATIONS DO NOT FACTOR IN NEW MANAGEMENT APPOINTMENTS IN PLACE FOR 2009 FOLLOWING THE CLOSING OF THE MERGER.

WITH RESPECT TO SECTION B.1.13.

GUARANTEES OR GOLDEN PARACHUTE CLAUSES ARE AUTHORISED BY THE BOARD OF DIRECTORS SUBJECT TO A PRIOR REPORT BY THE NOMINATION AND REMUNERATION COMMITTEE.

WITH RESPECT TO SECTION B.1.15.

THE BOARD OF DIRECTORS DOES NOT OPINE ON THE MAIN CHARACTERISTICS OF PENSION SYSTEMS AS AT PRESENT NO SUCH PLANS ARE IN PLACE.

WITH RESPECT TO SECTION B.1.27.

THE NOMINATION AND REMUNERATION COMMITTEE HAS NO SPECIFIC ESTABLISHED PROCEDURES FOR SELECTING WOMEN CANDIDATES, ALTHOUGH THERE IS NO BIAS IN THE DIRECTOR SELECTION PROCESS. WHEN SELECTING DIRECTORS, MEN AND WOMEN ARE EXTENDED EQUAL OPPORTUNITIES, AS THE BOARD IS SENSITIVE TO GENDER DIVERSITY ISSUES, SPECIFICALLY EQUAL OPPORTUNITIES IN TERMS OF DIRECTORSHIPS.

WITH RESPECT TO SECTION E.2

THERE ARE DIFFERENCES BETWEEN THE REGIME SET FORTH IN THE SPANISH COMPANIES ACT AS RATIFICATION OF THE RESOLUTIONS OUTLINED IN SECTION E.1 REQUIRE A DIFFERENT QUORUM THAN THAT ESTABLISHED IN ARTICLE 103 OF SAID ACT, NAMELY THE FAVOURABLE VOTE OF THE MAJORITY OF THE VOTING CAPITAL PRESENT OR REPRESENTED BY PROXY AT THE MEETING, SO LONG AS THIS MAJORITY REPRESENTS AT LEAST FORTY-FIVE PER CENT OF SUBSCRIBED VOTING SHARE CAPITAL.

WITH RESPECT TO SECTION E.7

IN RELATION TO THE QUORUM FOR THE EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING OF 24 OCTOBER 2008, SHAREHOLDERS COLD FIELD INVESTMENT LLC AND SMITHFIELD INSURANCE COMPANY LTD (BOTH SUBSIDIARIES OF SMITHFIELD FOOD INC) NOTIFIED THE PRESIDING PANEL OF THEIR DECISION NOT TO ATTEND THE MEETING IN ORDER TO COMPLY WITH THE REQUIREMENT SET FORTH IN ARTICLE 8 G) OF ROYAL DECREE 1066/2007 OF 27 JULY GOVERNING PUBLIC TENDER OFFERS FOR LISTED SECURITIES TO ENABLE IT TO REQUEST AN EXEMPTION FROM THE SPANISH SECURITIES REGULATOR, THE CNMV, FROM THE OBLIGATION TO LAUNCH A PUBLIC TENDER OFFER IN CONNECTION WITH THE MERGER, APPROVAL OF WHICH WAS SUBMITTED TO THE SHAREHOLDERS FOR APPROVAL AT SAID MEETING.

WITH RESPECT TO SECTION F.1

ALTHOUGH THERE IS NO BYLAW STIPULATED UPPER LIMIT ON THE NUMBER OF VOTES THAT CAN BE CAST BY A SINGLE SHAREHOLDER, THERE IS ONE RELEVANT LIMITATION, A CONTRACTUAL ONE, AS SET OUT IN SECTION A.6.

WITH RESPECT TO SECTION F.5

ALTHOUGH THE REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING ESTABLISH SEPARATING VOTING ON MATERIALLY SEPARATE ITEMS, IN PARTICULAR: (I) THE APPOINTMENT OR RATIFICATION OF DIRECTORS, WITH SEPARATE VOTING ON EACH CANDIDATE; AND (II) WITH RESPECT AMENDMENTS TO THE BYLAWS, VOTES TAKEN ON ALL ARTICLES OR GROUPS OF ARTICLES THAT ARE MATERIALLY DIFFERENT, THE PRESIDING PANEL OF THE GENERAL MEETING, IN ITS ROLE AS INTERPRETER OF THE REGULATIONS, DID NOT CONDUCT SEPARATE VOTING ON THE DIRECTOR APPOINTMENTS (AND CORRESPONDING RESIGNATIONS) AND THE BYLAW AMENDMENT RESOLUTIONS BASED ON ITS CONSIDERATION THAT EACH APPOINTMENT OR AMENDMENT COULD NOT BE HANDLED SEPARATELY AS THESE ITEMS WERE DEEMED INTEGRAL ELEMENTS OF THE OVERALL MERGER PLAN.

WITH RESPECT TO SECTION F.7

THE BOARD IS GUIDED BY THE STATED SPIRIT OF THIS RECOMMENDATION. THERE IS ALSO AN ETHICS CODE RECOGNISING THE VALES DEFINED AND UPHELD BY THE COMPANY.

WITH RESPECT TO SECTION F.8

THE BOARD IS FULLY INVOLVED IN AND ASSUMES LEADERSHIP IN SETTING THE COMPANY'S STRATEGY AND GENERAL POLICIES. IN THIS RESPECT, THE BOARD MEETS AT LEAST ONE A YEAR, OFTEN FOR MORE THAN ONE DAY, TO DELIBERATE AND LAY OUT THE COMPANY'S MAIN STRATEGIES AND KEY POLICIES. SIMILARLY, THE BOARD REGULATIONS INCLUDE A LIST OF MATTERS RESERVED TO THE BOARD. ALL THE MATTERS COVERED IN RECOMMENDATION 8 ARE IN GENERAL INCLUDED IN THE LIST OF MATTERS RESERVED FOR THE BOARD.

RELATED-PARTY TRANSACTIONS REQUIRE EXAMINATION BY THE BOARD OF DIRECTORS, WITH SPECIFIC OR INDIVIDUAL TRANSACTIONS SUBJECT TO PRIOR REVIEW BY THE AUDIT COMMITTEE. STABLE RELATED-PARTY TRANSACTIONS ARE REVIEWED ANNUALLY BY THE BOARD OF DIRECTORS AND THE AUDIT COMMITTEE.

AS A CONSEQUENCE OF THE RESOLUTIONS RATIFIED BY THE BOARD OF DIRECTORS IN ITS SESSION OF 18 SEPTEMBER 2008 AND SUBSEQUENTLY AT THE EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING OF 24 OCTOBER 2008, THE LIST OF MATTERS RESERVED TO THE FULL BOARD HAS BEEN TRANSFERRED TO THE BYLAWS. IN ADDITION, AS INDICATED IN THE COMMENTARY REGARDING RECOMMENDATION 3, THE FULL BOARD HAS BEEN EXPRESSLY ATTRIBUTED THE MATTERS LISTED THEREIN.

IN RELATION TO SECTION F.12

OF A TOTAL OF 9 DIRECTORS, THE 5 PROPRIETARY DIRECTORS REPRESENT AT LEAST 60% OF THE COMPANY'S CAPITAL. ADDITIONALLY THE COMPANY HAS 3 INDEPENDENT DIRECTORS SO THAT THE RELATIONSHIP BETWEEN PROPRIETARY AND INDEPENDENT DIRECTORS MATCHES THE PROPORTION OF CAPITAL REPRESENTED ON THE BOARD BY PROPRIETARY DIRECTORS AND THE REMAINDER OF THE COMPANY'S CAPITAL.

WITH RESPECT TO SECTION F.19

THE BOARD MEETS EVERY TWO MONTHS BASED ON THE CALENDAR DRAWN UP AT THE END OF THE PRECEDING YEAR, NOT CONSIDERING EXTRAORDINARY MEETINGS REQUIRED DURING THE YEAR. DIRECTORS MAY SUGGEST NEW THAT ITEMS BE INCLUDED IN THE AGENDA AND ADDRESSED AT THEIR DISCRETION.

WITH RESPECT TO SECTION F.24

DIRECTORS RECEIVE ADVICE FROM THE SECRETARY ON MATTERS THAT, AS LEGAL ADVISOR, FORM AN INTEGRAL PART OF HIS DUTIES AND ARE RELATED TO THE CORRECT FUNCTIONING OF THE BOARD OF DIRECTORS. IN ADDITION, ASSISTANCE FROM EXTERNAL ADVISORS CAN BE ENGAGED TO AID THE DIRECTORS ON SPECIFIC MATTERS WHEN WARRANTED, ALTHOUGH TO DATE, NO FORMAL CHANNEL FOR SO DOING HAS BEEN ESTABLISHED.

FROM VARIOUS BOARD REGULATION ARTICLES IT CAN BE DEDUCED THAT, ON THE ONE HAND, THE DIRECTORS RECEIVE THE COUNSEL NECESSARY TO DISCHARGE THEIR DUTIES FROM THE SECRETARY IN RELATION TO MATTERS WHICH IN THE LATTER'S CAPACITY AS LEGAL ADVISOR ARE AN INTEGRAL PART OF HIS/HER JOB AND INHERENT TO THE BOARD'S CORRECT FUNCTIONING. SUCH COUNSEL CAN BE REQUESTED OF THE CHAIRMAN OR DIRECTLY OF THE BOARD SECRETARY. IN ADDITION TO COUNSEL FROM THE SECRETARY, THE DIRECTORS ARE ENTITLED TO REQUEST THE ATTENDANCE AT BOARD MEETINGS OF LEGAL, ACCOUNTING, FINANCIAL OR OTHER EXPERTS, WHOSE PRESENCE SHALL BE FORMALISED BY AN INVITATION FROM THE CHAIRMAN OR SECRETARY TO THE BOARD. THE BOARD REGULATIONS DO NOT STIPULATE A SPECIFIC CHANNEL FOR REQUESTING THE COUNSEL OF EXPERT CONSULTANTS; ACCORDINGLY THE GENERAL CHANNEL ESTABLISHED FOR REQUESTING BROAD ADVISORY IS DEEMED APPLICABLE. SINCE THIS RECOMMENDATION DOES NOT SPECIFY THAT THE CHANNEL BE SPECIFIC, BUT RATHER STATES THAT IT SHOULD BE "SUITABLE", THE COMPANY IS DEEMED TO COMPLY WITH THE RECOMMENDATION.

WITH RESPECT TO SECTION F.35

THE BOARD OF DIRECTORS REVIEWS AND APPROVES THE BOARD COMPENSATION POLICY AND THE RELEVANT AND GENERAL TERMS OF SENIOR MANAGEMENT CONTRACTS. HOWEVER, IT IS WORTH NOTING THAT AT PRESENT THERE ARE NO PENSION PLANS (EXCEPT FOR LIFE AND ACCIDENT INSURANCE). NONETHELESS, IT IS HEREBY NOTED THAT, ALBEIT WITH NO SET FREQUENCY, THE NOMINATION AND REMUNERATION COMMITTEE REVIEWS ALL THE COMPONENTS OF THE COMPENSATION PACKAGES PAID TO BOARD MEMBERS AND SENIOR MANAGEMENT, SUBSEQUENTLY REPORTING ITS FINDINGS TO THE BOARD.

IN RELATION TO THE CONDITIONS THAT APPLY TO THE CONTRACTS OF DIRECTORS EXERCISING SENIOR MANAGEMENT FUNCTIONS, THE BOARD DOES REVIEW THOSE ASPECTS OF THE EMPLOYMENT RELATIONSHIPS OR SERVICES DEEMED RELEVANT SUCH AS COMPENSATION RELATED COMPONENTS AND WHETHER OR NOT THEY CONTAIN GOLDEN PARACHUTES, ALBEIT WITHOUT ANALYSING OTHER CLAUSES UNLESS THEY ARE CONSIDERED OF INTEREST DUE TO THEIR SIGNIFICANCE. THESE MATTERS ARE NONETHELESS ANALYSED BY THE NOMINATION AND REMUNERATION COMMITTEE.

WITH RESPECT TO SECTION F.36

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AS OF YEAR-END 2008, DIRECTORS DO NOT RECEIVE ANY REMUNERATION COMPRISING THE DELIVERY OF SHARES OR SHARE-BASED INSTRUMENTS. ONLY THE COMPANY'S EXECUTIVE DIRECTORS ARE ENTITLED TO VARIABLE REMUNERATION.

WITH RESPECT TO SECTION F.38

THE COMPANY'S ANNUAL FINANCIAL STATEMENTS IN RECENT YEARS HAVE CONTAINED NO QUALIFICATIONS THAT WARRANT APPLYING THIS RECOMMENDATION. HOWEVER, IF THEY DID, THE BOARD CONSIDERS IT SHOULD ASSESS THE SUBSTANCE OF THE QUALIFICATION IN ORDER TO DECIDE WHETHER TO CONSIDER AND COMPUTE DEDUCTIONS FROM EARNINGS OR, CONVERSELY, IF THE QUALIFICATIONS ARISE DUE TO TECHNICAL MATTERS THAT DO NOT AFFECT THE OUTCOME OF MANAGEMENT'S EFFORTS, TO REJECT THEM.

This section may include any other relevant, but not reiterative information, clarification or detail related to previous sections of the report.

Specifically, indicate whether the Company is subject to corporate governance legislation from any country other than Spain and, if so, include the compulsory information to be provided when this is different from that required for this report.

Binding definition of independent director:

Indicate whether any of the independent directors have or had have any relationship with the Company, its significant shareholders or managers which had it been significant or important would have meant they could not be called independent director within the definition stated in III.5 of the Unified Code:

Name of director
JUAN JOSE GUIBELALDE IÑURRITEGUI
Type of relationship
CHIEF EXECUTIVE OFFICER
Explanation
MR. GUIBELALDE WAS CHIEF EXECUTIVE UNTIL 2003, A ROLE WHICH DOES NOT PREVENT HIM FROM BEING AN INDEPENDENT DIRECTOR AS THE PRESCRIBED 5-YEAR PERIOD FOR SO QUALIFYING HAS ELAPSED.

Date and signature:

This annual corporate governance report was approved by the Company's Board of Directors at its session of
27/02/09

Indicate whether any Directors have voted against or abstained from voting on the approval of this Report:

No

On February 27, 2009, the members of the Board of Directors of Campofrío Food Group, S,A, (the parent company) have drawn up the consolidated annual accounts, made up of the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements for the year ended December 31, 2008, as well as the consolidated management report for the year then ended, signed by each on this page, and by the Secretary to the Board of Directors on all the pages of these documents for identification,

Pedro Ballvé Lantero
(Chairman)

Yiannis Petrides
(Vice Chairman)

Charles Larry Pope
(Board Member)

Richard Jasper Poulson
(Board Member)

Guillermo de la Dehesa Romero
(Board Member)

Caleb Samuel Kramer
(Board Member)

Luis Serrano Martín
(Board Member)

Karim Michael Khairallah
(Board Member)

Juan José Guibelalde Iñurritegui
(Board Member)

Alfredo Sanfeliz Mezquita
(Secretary-Non-board member)